

**TAXICAB PERMITTING PROCESS STUDY**  
FINAL REPORT

PREPARED FOR THE  
METROPOLITAN TRANSIT SYSTEM (MTS)



OCTOBER 4, 2011



741 GARDEN VIEW COURT, SUITE 208  
ENCINITAS CA 92024  
760.632.9900 [WWW.TN-RESEARCH.COM](http://WWW.TN-RESEARCH.COM)



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## INTRODUCTION

The Metropolitan Transit System (MTS) owns, operates, and plans transit services in south San Diego County. Through a combination of light rail, bus, vintage trolleys, and paratransit, MTS' transit operations service approximately 570 square miles, three million San Diego residents, and carry approximately 100 million passengers annually.

In addition to providing traditional transit services, one of MTS' key functions is to license and regulate the taxicab industry in the City of San Diego.<sup>1</sup> MTS' Taxicab Administration determines owner eligibility, issues permits, inspects vehicles to ensure they are in good working order, monitors compliance with administrative and operational regulations, and investigates compliments and complaints—all with the goal of ensuring that the taxicab industry meets the needs of residents and visitors alike.<sup>2</sup> Successfully fulfilling its role in regulating the taxicab industry requires that MTS periodically review the taxicab permitting process and regulations, and make adjustments where needed to better meet the agency's goals of facilitating high-quality taxicab services.

**MOTIVATION FOR STUDY** The study described in this report was specifically mandated by Council Policy 500-02 for the purpose of evaluating the taxicab permitting process, the supply of taxicabs in the City, and the methods by which new permits are issued. This report summarizes the findings of a multi-faceted research study that addressed a variety of research questions in three main areas of interest to MTS and the City of San Diego:

**Determining the Appropriate Supply of Taxicabs** What is the appropriate supply of taxicabs for the City of San Diego? Does the current policy formula for determining the supply work well for this purpose? If not, is there a better methodology for balancing the supply of taxicabs with demand? What impact did the additional 125 permits issued during the Transitional Period have on the market?

**Methods of Permit Distribution** Under the Transitional Period for distributing taxicab permits outlined in the City of San Diego's policy number 500-02 (see *Policy 500-02* on page 58), what aspects of the process worked well and what aspects did not? What is the recommended method for issuing new permits in the future?

**Using the Permit Process to Achieve Goals** Review issues regarding the transferability of new permits, and how can the permit distribution and transfer processes be utilized to achieve policy goals—such as increasing the use of greener vehicles, increasing the number of disability-ready vehicles, and improving service quality overall? How can MTS monitor the compliance of the permit holders to ensure that they adhere to what they stated when they applied for the permits?

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1. In addition to the City of San Diego, MTS also regulates the taxi industry in the cities of El Cajon, Imperial Beach, La Mesa, Lemon Grove, Poway, and Santee. This study focused solely on taxi services and permitting in the City of San Diego.
  2. "Regulation of taxicab service is in the interest of providing the citizens and visitors to the City of San Diego with good quality local transportation services". City of San Diego, Policy 500-02 on Taxicab Permits, August 2001.

**METHODOLOGY** To address the topics noted above, this study gathered data from a variety of sources using several different methodologies, including an extensive review of relevant documents and policies, interviews with staff from MTS' Taxicab Administration, the City of San Diego, taxicab operators, and taxicab drivers, as well as statistical analysis using data collected through the *1999 and 2009 Taxicab Passenger Surveys* and other sources.

**ORGANIZATION OF REPORT** This report is designed to meet the needs of readers who prefer a summary of the findings as well as those who are interested in the detailed topic-by-topic analysis. For those who seek an overview of the findings, the section titled *Key Findings & Conclusions* is for you. It provides a summary of the most important findings and recommendations of the study, and a discussion of their implications. For the interested reader, this section is followed by more detailed discussions of each key topic addressed in the study (see *Table of Contents*), with relevant background documents included at the back of the report.

**ACKNOWLEDGMENTS** True North Research thanks John Scott (MTS) and Stephen Celniker (City of San Diego) for their contributions to the design and administration of this study. Their expertise, local knowledge, and insight improved the overall quality of the research presented here. We also thank the members of the Taxicab Committee, taxicab permit holders, and drivers who shared their perspectives with us as part of this study.

**DISCLAIMER** The statements and conclusions in this report are those of the authors at True North Research, Inc. (Dr. Timothy McLarney and Richard Sarles) and not necessarily those of MTS or the City of San Diego. Any errors and omissions are the responsibility of the authors.

**ABOUT TRUE NORTH** True North is a full-service research firm that helps its clients to move with confidence when making strategic decisions in a variety of areas—such as planning, policy evaluation, performance management, organizational development, establishing fiscal priorities, and developing effective marketing campaigns. During their careers, the principals at True North (Dr. McLarney and Mr. Sarles) have designed and conducted over 600 research studies for public agencies in California, including dozens for transportation planning and performance measurement purposes.



## KEY FINDINGS & CONCLUSIONS

As noted in the *Introduction*, this study was designed to evaluate San Diego's taxicab permitting process with respect to setting the supply of taxicabs in the City, the methods by which permits are issued and/or transferred, and the ability to use the process to achieve policy goals. Whereas subsequent sections of this report are devoted to conveying the detailed results of the study, in this section we attempt to 'see the forest through the trees' and note how the collective results answer some of the key questions that motivated the research.

*How has the City's policy of regulating the supply of taxicabs in San Diego changed over time?*

One of the main objectives of regulating the taxicab industry in San Diego is to ensure that the number of taxicabs available is appropriate for the needs of residents and visitors. It is a balancing act, of sorts, as the goal is to have the supply of taxicabs be well-aligned with the demand for taxi service. Having too few taxicabs will result in a variety of problems for the customer—including slow response times, insufficient competition, and an inability to secure transportation in a timely manner. Too many taxicabs, however, can lead to low productivity, aggressive solicitation techniques, jockeying for position at prime locations, high driver turnover, and a general degradation of service and vehicle quality as companies attempt to operate below the financial break-even point.

During the past 40 years, the City's policy for establishing the supply of taxicab permits in San Diego, as well as the means by which permits are issued, has changed dramatically. As detailed in *Taxicab Regulation in San Diego* on page 14, the City has experimented with the full range of policy options during this period, including issuing permits through legislative action based on subjective findings of public convenience and necessity (pre-1979), letting the supply be dictated by an open market (1979-1984), placing a complete moratorium on new permits (1984-2001), and transitioning to a policy of periodically issuing new permits based on measures of demand (2001-present). Mirroring the policies of the time, the supply of taxicabs in the City has also witnessed a large amount of change during this period, including periods of explosive growth, slow contraction, and modest growth (see Figure 1 on page 15).

*What is the current policy for establishing the supply of taxicab permits in San Diego?*

The current policy for establishing the supply of taxicab permits in San Diego is set forth in Council Policy 500-02 as modified on August 6, 2001 (see *Policy 500-02* on page 58). The main effects of the 2001 policy change were two. The near-term impact was to increase to 1005 the *authorized* number of taxicab permits operating in the City by allowing the issuance of an additional 135 permits using several different methods of distribution.

The longer-term impact of the policy was to establish a formula for determining when (and how many) additional permits would be issued in the future after the conclusion of the transitional period (see *Supply &*

*Demand Policy Formula* on page 19).<sup>3</sup> Using 2001 as the baseline year, additional permits would be issued after the transitional period according to a formula which employs both civilian population growth and growth in hotel room occupancy as measures of demand for taxicab services. According to the policy, additional permits are issued when the formula yields an increase of at least 40 permits. Once additional permits are issued, the year in which they are issued becomes the new baseline year from which to calculate future growth in population and hotel occupancy.

*Does the current policy formula do a good job balancing supply and demand?*

The principle merit of the current formula is that it links the issuance of additional permits to objective changes in factors that are theoretically *related* to demand for taxicab service. Thus, rather than issue additional permits on an arbitrary basis or in response to the lobbying efforts of particular groups or individuals, the current formula attempts to increase supply only when there are corresponding increases in demand as measured by growth in population and hotel occupancy.

The limitations of the formula, however, are several. Most obvious are that increases in population growth and hotel occupancy are *proxy* measures of demand for taxicab service—meaning that they aren’t a direct measure of demand itself, but of factors that are theoretically closely related to demand in some way. Although increases in both population and hotel occupancy can potentially increase actual demand for taxicab service, it certainly isn’t *necessarily* the case.

An arguably bigger limitation of the formula is that it does not take *competition* into consideration. Taxicabs are one of several transportation options that residents and visitors have to choose from, including personal vehicles, public transit services, free shuttles, pedicabs, and chartered PSC and TCP vehicles. Many within the taxicab industry have expressed concern about the apparent growth in competition from PSC and TCP vehicles in recent years. SANDAG has also improved and expanded the public transit system in the region, including the opening of the San Diego Trolley’s Green Line in 2005. Because the demand for taxicab service is impacted by competitors to the industry—and the level of competition has increased over time—not accounting for competition can lead the policy formula to grossly overestimate demand for taxicab service, resulting in too many taxicabs in the City.

The empirical analyses of this report indicate that the current policy formula does in fact overestimate demand for taxicab services. Whereas following trends in population and hotel occupancy leads the policy

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3. The transitional period refers to the period during which the 135 permits were issued by lottery and RFP. This period lasted from 2002 to 2007, during which MTS issued 125 permits. The final 10 permits to be issued by auction were never issued due to legal concerns about the auction method.

formula to conclude that demand had increased over the past decade, actual measures of demand (taxicab trips) based on independent studies in 1999 and 2009 reveal that gross demand for taxicab service *declined* during this period. Indeed, rather than increasing supply proportionately to meet an increase in demand, the policy formula would result in a 26% *increase* in supply since 1999 paired with a 13% *reduction* in demand over the same period (see *Testing the Policy Formula* on page 22).

*Is there a better approach for balancing supply & demand in San Diego's taxicab market?*

Yes. As detailed in *Recommended Approach for Balancing Supply & Demand* on page 26, this study recommends using a more sophisticated formula for properly balancing supply and demand in San Diego's taxicab market. Although the specifics are detailed in the body of this report, the advantages of the recommended approach can be summarized as follows:

- Rather than relying on imperfect proxy measures such as population and hotel occupancy to estimate demand, the proposed method measures the *actual* demand for taxicab services as indicated by the number of taxicab trips per vehicle hour. In doing so, it automatically accounts for the forces of population growth, tourism, economic fluctuations, large-scale realignment of military personnel, and competition. In short, it is a much more reliable method for estimating the demand for taxicab services in the City of San Diego.

- Whereas the current method for setting the supply of permits in San Diego does not factor in the financial realities that underpin suppliers (taxicab drivers and permit holders), the proposed method establishes a supply based—in part—on the costs associated with operating a taxicab business. The method explicitly recognizes that there must be enough demand in the market to produce the revenue needed to cover the costs of providing taxicab services for the existing fleet *before* additional supply (permits) should be considered. In doing so, it helps to create a supply of taxicabs that is *balanced* and *sustainable* given the levels of demand in the market, and seeks to ensure at least a minimal standard of living for the average driver.<sup>4</sup>

- Anticipating that the Airport may change the number of taxicabs it draws from the City in the future, the recommended formula was designed to accommodate changes in the Airport's draw of taxis. The average number of taxicabs that operate at the Airport on a daily basis is a variable in the equation, as is the estimated number of taxi trips origi-

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4. One of the side benefits of ensuring that there is sufficient demand to sustain the existing supply is it will help to foster greater stability in the supplier pool. When drivers and permit holders are able to make a reasonable return on their investment, they are more likely to continue being drivers and permit holders (rather than seek other employment or sell their permit). This stability creates more experienced drivers, permit holders who are more apt to make long-term business decisions rather than seek short-run profits, and lessens the administrative burdens on MTS associated with high driver turnover and permit transfers.

nating at the San Diego International Airport in a given year. To the extent that the Airport increases its draw of taxis, the recommended formula can be used to identify the additional taxicabs needed to compensate, if any (see *Impact of Airport on Taxi Supply* on page 40).

The formula recommends a supply to demand relationship that has historically been associated with positive customer satisfaction. Using current input factors, the method recommends a trip frequency rate threshold (1.17 trips per hour) for a balanced market that is within a range that past surveys have indicated correspond to solid levels of customer satisfaction. In other words, when taxicab drivers are averaging 1.17 trips per hour they can generate the revenue needed to sustain their businesses while also providing good customer service.

*Are additional taxicab permits needed at this time?*

No. One of the more striking and consistent findings of this study is that there is an oversupply of taxicabs in San Diego for the levels of demand in the current market. What is needed to balance the market is an increase in *demand*, not an increase in supply.

Using the most recent estimates available to populate the equations, the recommended formula indicates that 738 taxicabs would be sufficient to meet the current demand for taxicab services in San Diego, inclusive of the Airport. At present, there are 992 taxicabs operating in the City and/or at the Airport.

The finding that San Diego's taxicab market is currently suffering from an overabundance of supply relative to demand is not based solely on the recommended formula. The study arrives at the same conclusion from a number of different and independent perspectives, including a theoretical analysis of the existing policy formula and its likely tendency to overestimate demand, an empirical analysis of demand using independent data collected in the 1999 and 2009 *Taxicab Passenger Surveys*, a common-sense productivity analysis that identified substantial excess capacity in the system, cost models that identify the levels of demand needed to sustain a new lease driver taxicab business, and anecdotal feedback from industry regulators and insiders.

Although this study finds that the supply of taxicabs in San Diego currently exceeds the levels of demand in the market, it also concludes that if the demand levels were similar to pre-recession levels the recommended supply of taxicabs in San Diego using the proposed method would be 998—almost exactly the amount of the current supply. In other words, the current supply of taxicabs in the City of San Diego is well aligned to what *would* be recommended if the trip frequency rate were similar to what it has been in the past, prior to the recession. Thus, as the region's economy rebounds from the recession, San Diego's taxicab market will likely become more balanced and eventually have a need for

additional permits. The recommended formula, populated with updated data, will help MTS and the City establish when new permits are needed, as well as how many permits are needed.

*What were the pros and cons of each method used to issue new permits during the transitional period?*

In addition to establishing the *number* of new permits to be issued, in 2001 Council Policy 500-02 mandated that the additional permits be issued through several different methods including an RFP for taxicab companies (70 permits), RFP for individual drivers (25 permits), a lottery for individual drivers (30 permits), and a public auction (10 permits). As part of this study, each method was evaluated to determine its merits and drawbacks (see *Prior Methods of Permit Issuance* on page 43 for a detailed discussion). To summarize:

**Company RFP:** To be qualified to participate in this RFP, applicants were required to be “a taxi operator that provides centralized fleet ownership through an individual, partnership, corporation, or association offering access through a central dispatch system and demonstrating an operational management system for cabs”. New operators as well as existing operators were eligible to participate. The RFP established a series of minimum requirements that applicants had to meet in order to be considered for receiving a block of permits. The RFP also detailed the criteria that would be used by the Evaluation Committee to evaluate the proposals, rank them based on a scoring system, and ultimately select the companies to be awarded permits.

By establishing minimum criteria that companies must meet in order to be considered for additional permits, and ranking proposers according to a scoring system based on performance criteria, the process was designed to award new permits to those companies that were in the best position to elevate the standard of taxicab service in the San Diego market. The process was designed to be a fair and objective way to award new permits to the highest performing proposers.

Unfortunately, the Company RFP process was plagued with problems. The most obvious problem with the approach was that it was very time and resource intensive to administer, requiring hundreds of hours from staff and consultants to review, screen, evaluate, rank and discuss the more than 50 proposals received. Although every effort was made to ensure a neutral, objective process, it was not possible to eliminate *all* subjectivity from the process as individual reviewers must ultimately use their own experience and interpretations when evaluating the content and merits of each proposal. This subjectivity, in combination with relatively close rankings for certain proposals, led to formal protests that questioned the qualifications of those on the Evaluation Committee, the fairness of how proposals were scored, and involved lengthy hearings/examinations in which members of the Evaluation Committee were cross-examined for hours by attorneys.

Perhaps the biggest failure of the Company RFP process was that although its intent was to help improve the standard of service in San Diego's taxicab industry, there were no provisions or resources established for *ensuring* that those who received permits honor commitments made in their proposals on an ongoing basis. For example, a company could purchase a wheelchair accessible vehicle to fulfill its proposal commitment, but replace that vehicle at the end of its life cycle with a conventional vehicle that does not have wheelchair access. During True North's discussions with industry leaders, several openly acknowledged that the Company RFP process largely failed to create any sustained improvements through innovation, technology, or standards of service.

**Driver RFP:** Like the company-based RFP process described above, an RFP was also issued for the purpose of awarding 25 permits to individual drivers. To be qualified to participate in this RFP, applicants were required to meet several standards including that they would personally drive the taxicab a minimum of 175 shifts, not have an interest in an existing permit, and meet several 'clean driving' standards based on records with the Sheriff, MTDB, and DMV. In comparison to the Company RFP which had a lengthy list of criteria for evaluating proposals, the Driver RFP employed a simple evaluation and ranking system. Proposals were scored based on the number of years a person was licensed to provide taxicab service in San Diego, their DMV record, and letters of recommendation.

Like the Company RFP, the Driver RFP had a number of desirable attributes. Rather than select drivers on a purely random basis, the RFP was designed to award new permits to those individuals who were in the best position to uphold a high standard of service in San Diego's taxicab market. By keeping the criteria based on a short list of simple, objective considerations, the Driver RFP also succeeded in removing some of the subjectivity that was inherent in the Company RFP evaluations, which was one of the reasons why there were no protests or protracted hearings once the selections were made for the Driver RFP.

The principal drawbacks of the Driver RFP were two. By assigning points based on years of providing taxicab service, DMV record, and letters of recommendation, the criteria were objective and not open to subjective interpretation. However, the downside was that the overriding criteria in selecting winning proposals was years of service—which is not the strongest of performance measurements. A long-time driver could provide mediocre customer service but, because of their seniority, be awarded a permit at the expense of a less-tenured driver who provides better customer service.

Second, if the goal was to use the RFP process to award permits to drivers who would provide the highest levels of service in the future, addi-

tional criteria could have been utilized to encourage drivers to propose service enhancements in exchange for higher scores—as was the case in the Company RFP. Drivers who committed to using alternative fuel or hybrid vehicles, providing wheelchair-accessible service, or working in under-served areas of the City, for example, could have been awarded additional points in the selection process. To the extent that these additional points outweighed the seniority advantage of some other drivers in the formula-based selection process, it would have resulted in a higher standard of service overall.

**Driver Lottery:** Whereas the RFP method of issuing permits based the selection on a relative ranking of proposers according to how well they met certain criteria, the third method of issuing permits under Council Policy 500-02 was chance-based. A total of 30 permits were issued to drivers through a random drawing.

In comparison to the Driver RFP method which limited the field of potential drivers that could reasonably expect to be selected, the Driver Lottery was a much more open process. The eligibility requirements for the lottery were quite low—the most substantial of which was that the individual had to have a minimum of five years of taxicab driving experience in good standing within the MTDB area of jurisdiction or the City of San Diego. This meant that more drivers were eligible for the lottery than were eligible for the RFP. Moreover, because it was a chance-based selection, it did not favor certain drivers based on seniority or other factors. Because of its simplicity, the Driver Lottery was also the most efficient and cost-effective of the issuance methods to administer.

Although a simple and straightforward method of issuing permits, the Driver Lottery did have an obvious downside. By setting a low bar for eligibility and awarding permits based on a random drawing, the lottery made no attempts to use the issuance process as a means to increase (or even maintain) the standard of customer service in the taxicab industry. Unlike the RFP method that used performance-based selection criteria to some degree, there was no advantage given in the lottery to drivers who had a proven record of good performance, or who would be willing to use alternative fuel or hybrid vehicles, provide wheelchair-accessible service, or work in under-served areas of the City.

**Public Auction:** The final method of issuance outlined in Council Policy 500-02 designated 10 permits to be sold at public auction. To be eligible to bid in the auction, participants were required to be a taxi operator that provides centralized fleet ownership through an individual, partnership, corporation, or association offering access through a central dispatch system and demonstrating an operational management system for cabs. The 10 permits would be auctioned individually to the highest bidder, with the only restriction being that the auction could not result in

any permit holder having an interest in more than 40% of the total active permits in the city.

The public auction was never held, and the 10 permits to be issued by that method have also not been issued. Although intuitively appealing, the auction raised a number of legal questions, the most important of which concerned whether MTS and/or the City of San Diego has the authority to auction taxicab permits. Both the City Attorney's Office and MTS's general counsel concluded that MTS does *not* have the authority to conduct the auction, and that the City does have the authority but not without special voter approval as the auction would be considered a tax under California law (see *Public Auction* on page 49 for a more detailed discussion of this topic). Based on the legal requirements and restrictions noted above, it appears that the public auction method of issuing permits will not be pursued, and that future direction from City Council is needed as to whether (and how) the remaining 10 permits should be issued.

*What is the recommended approach for issuing new permits in the future?*

Based on the experiences of the transitional period, what is proposed for the future is a Hybrid Method of issuing taxicab permits that combines the strengths of the RFP and lottery methods while avoiding some of the key pitfalls. The recommended Hybrid Method sets clear, high, and objective standards for participation, but ultimately awards permits on lottery basis. The main features of the Hybrid Method are described below (see *Hybrid Method of Issuance* on page 52 for a full discussion of the proposed method).

Rather than set minimum standards for participation and then subjectively evaluate and rank proposers based on how far *above* these minimum standards they are willing to go (as done in the Company RFP process), the Hybrid Method establishes a higher set of standards that every participant must meet in order to be eligible for a permit award. For example, rather than awarding bonus points for proposers who are willing to purchase alternative fuel vehicles, the Hybrid Method could make this a requirement for being awarded a permit. By making these *requirements* for receiving a permit rather than optional, MTS and the City could more effectively use the permit issuance process to achieve a higher standard of taxicab service. The process could also be used to help the City meet related policy goals such as reducing greenhouse gas emissions (GHGs) and implementing sustainable communities strategies.

Moreover, rather than attempt to score and rank proposers as to the *degree* to which they meet (or exceed) certain performance criteria, the Hybrid Method would set clear criteria for participation that can be objectively evaluated on a pass/fail basis. For example, all proposers could be required to accept credit cards, utilize electronic dispatch, provide wheelchair access in 20% or more of their fleet, etc. These are crite-

ria that can be easily measured and documented on a pass/fail basis prior to permit issuance (and monitored in the future) without subjective interpretation. In this way, the Hybrid Method can achieve an increase in the standards of service in San Diego’s taxicab industry while avoiding many of the disadvantages associated with the RFP processes that stemmed from the subjective scoring and ranking of proposals.

All proposers who met (or agreed to meet) the standards for participation would be entered into a random lottery. The lottery will require minimal resources from staff and consultants to administer, and thus can be accomplished in a cost-effective and timely manner.

Whatever standards MTS sets as condition of eligibility for receiving a new permit, it will be important to have a legal mechanism in place for requiring that the permit holder continue to adhere to the standards on an ongoing basis for the life time of the permit, regardless of ownership changes at the company, transfer activity, equipment replacement schedules, or any other factor. Permit holders should also be required to document their compliance on an annual basis as a condition of renewing their permit, rather than placing the burden and cost on MTS to monitor compliance.

*Should permit transfers be allowed?*

In addition to dictating how (and how many) new permits were issued, Council Policy 500-02 also governed the issue of permit *transfers*. With possible exception due to death or disability, the policy stated that all permits issued during the transitional period must remain with their original owners for a period of at least five years before they can be transferred to a new owner. The purpose behind limiting the transfer of newly issued permits was to inject a certain degree of stability into the taxicab market, and avoid short-term profit-taking by those who were the fortunate recipients of new permits.

Although Council Policy 500-02 effectively mitigated against *short-term* profit taking, in the end it only delayed the practice. Indeed, profit-taking has occurred on a grand scale in San Diego’s taxicab permit market during the past six years. Of the 125 new permits issued during the transitional period, 90 have reached the five year limit against transfer. Of these, more than half (46 permits; 51%) have been transferred *at least once*, 41 remain with their original holders, and three have been revoked or are no longer in service. Individual accounts vary as to the price paid for obtaining a San Diego taxicab permit, but it has generally ranged between \$35,000 to \$110,000 in recent years depending on market conditions and the particulars of the transaction.

It’s worth noting that neither MTS nor the City of San Diego receive any direct revenue from the “sale” (transfer) of a taxicab permit. The “sale” of a taxicab permit is a transaction that is not subject to sales tax, accord-

ing to the State Board of Equalization. The only fees charged for the transaction are by MTS to recover the administrative costs of reviewing and processing the permit transfer. Due to the high number of transfers in recent years, these fees have accounted for approximately one-quarter of the Taxicab Administration's annual budget.

Given the above, some have questioned whether permit transfers should be allowed. After all, taxicab permits are not *owned* by the individual—they are issued by MTS and are a *privilege* that may be granted, altered, withheld, and revoked by MTS.<sup>5</sup> As such, MTS clearly has the legal authority to disallow the transfer of a permit from one owner to another, and instead require that permits be surrendered to MTS and reissued through a process controlled by MTS.

The aforementioned issues notwithstanding, we recommend that permit transfers should be allowed, with some modest limitations. There is no compelling public interest that would be served by disallowing permit transfers. The reasons for allowing transfers to occur, meanwhile, are compelling:

**Encourage Investment:** Taxicab owners are more likely to invest in their businesses, their vehicles, and the quality of their service if they have the opportunity to recoup that investment at a later date through the transfer (sale) of their permit to a new owner.

**Easy Entry & Turnover:** If transfers were disallowed, it would greatly restrict the ability of individuals or companies to enter San Diego's taxicab market as the only means of doing so would be through the issuance of new permits. Not only would this create infrequent opportunities to enter the market, it is also an uncertain means of doing so as there is no guarantee of receiving a new permit through any of the issuance processes used (or recommended).

**Avoid Creating Permanent Lease-Driver Class:** If existing permit holders are not allowed to transfer their permit to a new owner in return for a profit, they will have every incentive to simply hold on to the permit in perpetuity. Even if they are currently driving a taxicab, upon retiring they will naturally prefer to lease the permit to another driver (and earn revenue) than relinquish the permit to MTS (and receive no revenue). Within several decades this practice would create a situation in which nearly all drivers are lease drivers.

**Faster Transition to New Standards:** To the extent that MTS and the City wish to implement new standards for San Diego's taxicab industry—such as requiring GPS in vehicles or setting mpg minimums for vehi-

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5. Source: Office of the City Attorney City of San Diego, Memorandum MS 59, May 7, 2009.

cles—the permit transfer process represents a relatively painless and effective means of transitioning the industry. Because the volume of transfer activity is reasonably high, using the permit transfer process to implement these types of changes would effectively transition much of the industry over to the new standards in a matter of five to ten years. By contrast, implementing new standards solely through the new permit issuance process will be a far less effective approach for the simple reason that the industry is already experiencing an overabundance of supply, so it will be some time before the market recovers to the point where new permits are needed.

**Consistency with Other Businesses:** Finally, it's worth noting that allowing permit holders to transfer their permit to a new owner in the taxicab industry is consistent with how the City treats businesses in other regulated industries. Liquor licenses, for example, are allowed to be transferred from one owner to another without being relinquished back to the City.



## TAXICAB REGULATION IN SAN DIEGO

During the past 40 years, the regulation of the taxicab industry and the permitting process in the City of San Diego has witnessed three distinct periods: Open Entry (1979-1984), Moratorium (1984-2001), and a Transitional Period (2001-2010) leading to Periodic Issuance tied to Demand<sup>6</sup> (2011-). Because this history provides the context necessary for understanding and evaluating current policies, a brief overview is provided in this chapter. It is worth noting, moreover, that Council Policy 500-02 proscribed the present study to evaluate the Transitional Period and make recommendations for policy adjustments as needed for the next period.

**OPEN ENTRY (1979-1984)** Prior to 1979, the City of San Diego issued taxicab permits through legislative action based on the findings of public convenience and necessity. During this period, the most striking characteristics of the taxicab industry were its size and concentration. Not only was the number of taxicabs operating in the City much smaller than today (409), nearly two-thirds (65%) of permits were held by a single company. The dependence of the City on a single provider had occasionally threatened and/or disrupted the availability of taxicab service in San Diego, including when drivers for the company would strike or when the company's owner filed for bankruptcy.

By a series of amendments to the Municipal Code in 1979, the City Council created an *Open Entry* policy for issuing taxicab permits in San Diego. Moving to an open entry system was expected to facilitate a number of improvements, including reducing the City's dependence on a single operator by decentralizing the industry, allowing the supply of taxicabs to fluctuate naturally according to demand, improving the geographic coverage of taxicab service in the City, promoting service and pricing innovations, relieving the Council of the burden of certification and rate hearings, and easing the administrative process. During this period, up to 15 permits were issued each month to qualified individuals without regard for the total number of taxicabs already in service and without a requirement for the applicant to demonstrate a need for their service in the market.

Although it occurred nearly 30 years ago and lasted for just five years, the effects of the *Open Entry* period on San Diego's taxicab industry can still be seen today. As shown in Figure 1 on the next page, the number of taxi permits more than doubled between 1979 and 1984, from 409 to 928. By encouraging independent owner/operators to enter the market, decentralization was also accomplished rather quickly. The largest operator's share of permits fell from 65% to 33% during the first three years of the period. At one point, the City's 900 taxicab permits were distributed between 290 separate owners. Excluding Yellow Cab, there were 620 permits divided among 289 owners.

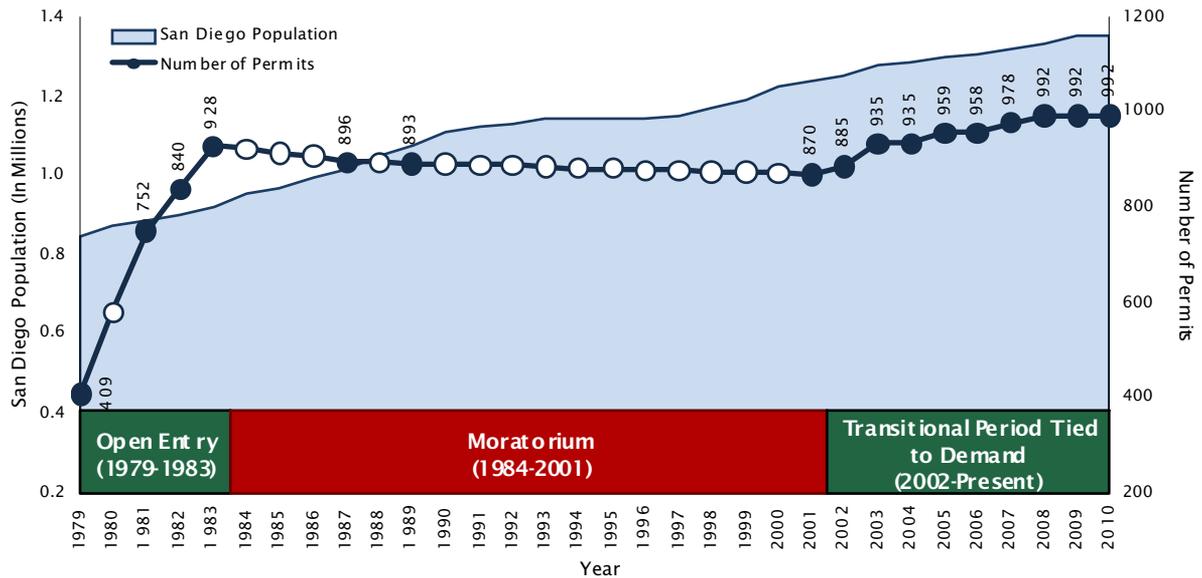
In some respects, the open entry policy had certainly succeeded in meeting its goals. The industry was far less centralized, the availability of taxicab service had increased, and studies indicated that response times had also improved.<sup>7</sup> In other respects, however, the policy change had not resulted in the types of service changes that motivated the move to an open entry system.

6. In this context, *demand* refers to the public demand for taxicab services. Under the current policy, it is measured through growth in population and hotel occupancy rates over time.

7. See *Effects of Taxi Regulatory Revisions in San Diego, California*, 1983 report prepared by DeLeuw, Cather & Company for the City of San Diego.

Despite the large increase in the number of taxicabs operating in the City and the greater competition it created, there was little improvement in the geographic coverage of taxicab service in San Diego, and few innovations in either pricing or service delivery.

**FIGURE 1 TAXICAB PERMITS & POPULATION IN SAN DIEGO, BY PERIOD<sup>8</sup>**



More importantly, the open entry policy revisions also created a myriad of unanticipated problems that affected the industry, its customers, and administrators. The rapid growth in the number of taxicabs operating in the City ultimately exceeded the demand in the marketplace, resulting in excessive competition, low productivity, and a general degradation of service quality as companies attempted to operate below the financial break-even point. During public hearings by the Transportation and Land Use Committee, complaints were voiced from within the industry about having to work longer hours for the same or less pay due to the supply of taxicabs outstripping demand. Visitors, residents, the Convention and Visitors’s Bureau, the Port Commission, and others also registered complaints that were often caused, at least in part, by the rapid growth, decentralization, and highly competitive nature of the industry during the *Open Entry* period. Their complaints ranged from pricing confusion and overcharging, to the poor condition of taxicabs, to the appearance and attitude of drivers, and to altercations caused by overcrowding of taxis at key locations such as the Airport.

In addition to the negative impact that an open entry policy was having on the general quality of taxicab service in San Diego (and quality of life for industry insiders), the policy also created a larger workload for those in the City charged with regulating the industry. Additional regulations and administrative procedures were required to deal with the increased size and complexity of the industry, as well as its continuous restructuring. Transfers of ownership, by themselves, had developed into a substantial administrative burden.

8. The decline in permits during the Moratorium period from 928 to 870 occurred because as permits were vacated due to regulatory action (revoked) or were relinquished or abandoned by their owner, there was no mechanism for reissuing the permits within the existing policy. Under the new policy established in 2001, permits that are vacated can be reissued.

**MORATORIUM (1984-2001)** The *Moratorium* period which began in 1984 was in many ways a direct response to the widespread perception that under an open entry policy the supply of taxicabs in San Diego had exceeded the demand in the marketplace, thereby creating excessive competition and its many associated ills described above. In October 1984, the City Council adopted resolution R-261739 implementing Council Policy 500-02 establishing a moratorium on the issuance of taxicab permits in the City and setting the number of total permits at 928. To strike a balance between monopoly and excessive diversity in the industry, the policy included a provision that set at 40% the maximum percentage of permits that can be held by a single entity, and 16% the maximum that can be held by single permit holders.

During the moratorium which was in effect from 1984 to 2001,<sup>9</sup> no new taxicab permit applications were accepted by the City or MTS. The only way to acquire a permit was to purchase/transfer the permit from an existing permit holder. With the exception of cases in which the existing permit holder died or became disabled, transfers were only allowed for permits that had been held by an owner for a set period.<sup>10</sup> Council Policy 500-02 was also silent as to whether permits that were revoked due to regulatory action or were abandoned by their owner could be reissued, as well as how that process might be administered. As a consequence, over the 17 year period in which no new permits were issued by the City and a small number were revoked or lapsed each year and thus became unassignable, the number of active taxicab permits in San Diego slowly declined. By 2001, the total number of taxicab permits in the City of San Diego reached 870—58 fewer than allowed under CP 500-02 (see Figure 1 on previous page).

If one accepts the conclusion that open entry resulted in an oversupply of taxicabs in the San Diego market relative to demand, one of the effects of the moratorium was that it allowed demand to slowly catch-up to the available supply. Although it is admittedly a rather blunt way to measure demand, the ratio of resident population to taxicab permits increased from approximately 1,032:1 in 1984 to 1,332:1 by 1998. Tourism and employment also increased during this period. Nevertheless, even toward the end of the moratorium period in 1997 there were members of the industry who argued to keep the moratorium in place on the grounds that there remained an adequate supply of taxicabs for the City, and to protect the interests of owners who had recently paid a high premium to acquire a permit in anticipation that they could recover the cost of the premium in a closed-market through ongoing profits and/or the sale of the permit at a future date. If the City were to make additional permits available, it could negatively impact the day-to-day profitability of operating a taxi in the City, and reduce the perceived value of a permit among potential buyers.

There were others, however, who felt strongly that the City should lift the moratorium in order to protect the industry's share of the transportation market. While the taxicab industry in San Diego had been artificially restrained from growing since 1984, other forms of transportation were allowed to grow and develop, resulting in increased competition from an improved local transit system, PSC shuttle services,<sup>11</sup> and TCP charter services.<sup>12</sup> The erosion of the taxicab industry's

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9. MTDB (which later became MTS) assumed responsibility for regulating the taxicab industry in San Diego in 1989.

10. Between 1984 and 2001 when taxicab regulation was managed by the City of San Diego, the period of time required before a permit could be sold or transferred was five years. When MTS assumed responsibility for regulating the taxicab industry in 2001, that period was reduced to one year.

market share over time would be a foregone conclusion unless it were allowed to expand and find ways of better competing with these alternatives.

### TRANSITIONAL PERIOD (2001-2010) LEADING TO PERIODIC ISSUANCE TIED TO DEMAND (2011)

By 1997, 58 taxicab permits had been relinquished or revoked through regulatory action. The end of the *Moratorium* was sparked by a group of drivers who sought clarification from MTDB regarding the policy for reissuing the 58 relinquished or unassigned permits. Because Council Policy 500-02 was silent on this matter, the inquiry set in motion a series of discussions and reviews of the issue by the Taxicab Committee, MTDB, San Diego City Council, and the Mayor's Taxicab Task Force which later resulted in a detailed study conducted by Schaller Consulting.<sup>13</sup>

Using a combination of methods including analyses of existing data on customer satisfaction, trip volumes and response times, data from MTDB and San Diego's taxi industry, as well as a comparative analysis of other cities' policies and experiences with taxicab regulation, Schaller forwarded a number of conclusions and recommendations. The most important of which were:

- Additional taxicab permits were needed for the taxicab industry to adequately serve both visitor and residential customers in the City of San Diego
- New permits should be issued on a periodic basis according to a formula that reflects growth in population and visitation to the City
- New permits should be distributed according to two methods: A lottery for drivers (50%) and a public auction that is open to individuals and larger entities (50%)
- New permits that are issued through a lottery should be non-transferable, whereas existing permits and new permits issued through an auction should remain transferable

MTDB and the City of San Diego ultimately agreed to implement Schaller's recommendation to end the moratorium, issue additional permits based on current levels of demand, and move to a new system whereby future permits would be issued periodically according to a formula based on growth in population and visitation rates. However, the resulting policy (Council Policy 500-02) ultimately differed from Schaller's recommendations as to the number of additional permits issued, the methods by which they would be distributed, and rules governing the transfer of permits.

Council Policy 500-02 as modified in 2001 mandated that future taxicab permits would be issued periodically based on growth in civilian population and hotel occupancy rates according to a specific formula, but only after a transitional period during which 135 additional taxicab permits would be issued through several methods. As shown in Table 1 on the next page, the 135 permits were to be issued in two rounds through the following methods: RFP for taxicab

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11. A PSC (passenger stage corporation) certificate is for a service that provides transportation service to the general public on an individual-fare basis. Most PSC's operate a fixed-route, scheduled service or an on-call door-to-door airport shuttle-type service.

12. A TCP (charter-party carrier) permit applies to vehicles that are chartered on a prearranged basis, for the exclusive use of an individual or group. Charges are based on mileage or time of use, or a combination of both.

13. See *Study of the Need for Taxicab Permits in the City of San Diego*, August 2000 report prepared for the City of San Diego by Schaller Consulting.

operators (70 permits), RFP for individual drivers (25 permits), a lottery for individual drivers (30 permits), and a public auction (10 permits).

**TABLE 1 SUMMARY OF PERMITS AUTHORIZED DURING TRANSITION PERIOD, BY METHOD AND DATE**

		Policy	Actual	
Method of Distribution		Number of Permits	Number of Permits	Date Issued
Round 1	RFP for Taxi Operators	50	50	2003
	RFP for Individuals	10	25	2004
	Lottery for Individuals	15	15	2002
Round 2	RFP for Taxi Operators	20	20	2007
	RFP for Individuals	15	0	Included Round 1
	Lottery for Individuals	15	15	2007
	Auction	10	0	Not Issued

Although the original expectation was that the transitional period would be accomplished over a two year period of time, there were a number of unforeseen circumstances that caused substantial delays, including the September 11th terrorist attacks and their impact on tourism in San Diego, lawsuits and challenges related to the permit issuance processes, the need for MTS to coordinate with outside agencies including the Sheriff's Office as part of the issuances, and the need for MTS to review and hire outside experts to assist in the lottery and RFP processes. The result was that it took substantially longer to issue the permits than originally anticipated. Moreover, due to legal issues surrounding a public auction, the 10 permits allotted to that method of distribution have yet to be issued.<sup>14</sup> The result was that the Transitional Period began with 870 taxicab permits and additional 125 were issued. After accounting for three permits that were vacated during the period, by the end of the Transitional Period the total number of taxicabs operating in the City of San Diego reached 992.

This study represents one of the first steps to evaluate the impact of the policy and permitting changes that occurred during the transitional period. By gathering data from a variety of sources, this study will assist MTS in evaluating the taxicab permitting process and regulations, and in making adjustments where needed to better meet the agency's goals of facilitating high-quality taxicab services in San Diego.

14. Legal counsel for the City and MTS concluded that MTS can not conduct a public auction as they operate on a cost-recovery basis. An auction would result in profits.



## S U P P L Y   &   D E M A N D   P O L I C Y   F O R M U L A

As proscribed in Council Policy 500-02, this study is intended to assist MTS in evaluating current taxicab permitting processes and regulations, identify adjustments that may be needed to better meet the agency's goals of facilitating high-quality taxicab services in San Diego, and help MTS usher in a new era of Periodic Issuance Tied to Demand.

On that note, one of the central objectives of regulating the taxicab industry in San Diego is to ensure that number of taxicabs available is appropriate for the needs of residents and visitors. It is a balancing act, of sorts, as the goal is to have the supply of taxicabs be well-aligned with the demand for taxi service. Having too few taxicabs will result in a variety of problems for the customer—including slow response times, insufficient competition, and an inability to secure transportation in a timely manner. Too many taxicabs, however, can lead to low productivity, aggressive solicitation techniques, jockeying for position at prime locations, high driver turnover, and a general degradation of service and vehicle quality as companies attempt to operate below the financial break-even point.

In this chapter, we review the City's current policy for measuring demand for taxicab services and determining the supply of permits to be issued in San Diego. We also explore both the merits and the limitations of the current formula on *theoretical* grounds, focusing in particular on the reliability of its methodology for measuring demand for taxicab services.

**CURRENT METHOD** In addition to authorizing the issuance of 135 additional taxicab permits, Council Policy 500-02 (August 6, 2001) established a formula for determining when (and how many) additional permits would be issued in the future after the conclusion of the transitional period.<sup>15</sup> Using 2001 as the baseline year, additional permits would be issued after the transitional period according to a formula which employs both population growth and growth in hotel room occupancy as proxy measures for demand. The formula is depicted below:

$$\left[ \frac{X + Y}{2} \right] \times Z$$

Where:

- *X* is the average percentage growth in population for a given two year period when compared to the population in the baseline year
- *Y* is the average percentage growth in hotel room nights occupied in the City during a given two year period when compared to the number of hotel room nights sold in the baseline year
- and *Z* is the current number of authorized permits available in the City, including those that have been vacated.

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15. The transitional period refers to the period during which the 135 permits were issued by lottery and RFP. This period lasted from 2002 to 2007, during which MTS issued 125 permits. The final 10 permits to be issued by auction were never issued due to legal concerns about the auction method.

According to the policy, additional permits are issued when the formula yields an increase of at least 40 permits. Once additional permits are issued, the year in which they are issued becomes the new baseline year from which to calculate future growth in population and hotel occupancy.

**MERITS OF THE CURRENT FORMULA** The principle merit of the current formula is that it links the issuance of additional permits to objective changes in factors that are theoretically *related* to demand for taxicab service. All other things being equal, an increase in resident population and/or increase in the number of visitors staying in local hotels can be expected to generate additional demand for taxicab service. Thus, rather than issue additional permits on an arbitrary basis or in response to the lobbying efforts of particular groups or individuals, the formula outlined above attempts to increase supply only when there are corresponding increases in demand as measured by growth in population and hotel occupancy.

**LIMITATIONS OF THE CURRENT FORMULA** The limitations of the formula, however, are several. Most obvious are that increases in population growth and hotel occupancy are *proxy* measures of demand for taxicab service—meaning that they aren’t a direct measure of demand itself, but of factors that are theoretically closely related to demand in some way. Although increases in both population and hotel occupancy can potentially increase actual demand for taxicab service, it certainly isn’t *necessarily* the case. Because actual demand for taxicab service can be shaped by a variety of other factors (the state of the economy, the availability of other transportation alternatives, etc.), fluctuations in population and hotel occupancy need not generate additional demand for taxicab service. Conversely, it is also possible for demand for taxicab service to increase without a corresponding increase in population or hotel occupancy.

An arguably bigger limitation of the formula is that it does not take *competition* into consideration. Taxicabs are one of several transportation options that residents and visitors have to choose from, including personal vehicles, public transit services, free shuttles, pedicabs, and chartered PSC and TCP vehicles. Many within the taxicab industry have expressed concern about the apparent growth in competition from PSC and TCP vehicles in recent years. SANDAG has also improved and expanded the public transit system in the region, including the opening of the San Diego Trolley’s Green Line in 2005. Because the demand for taxicab service is impacted by competitors to the industry—and the level of competition can change over time—not accounting for competition can lead the policy formula to grossly overestimate (or underestimate) demand for taxicab service, resulting in too many or too few taxicabs in the City.

To illustrate this point, consider the availability and cost of rental cars and their potential impacts on the taxicab market. An increase in the cost of renting a car, insuring the vehicle, or even the costs of parking a rental car can spur greater demand for taxicab service. A lack of availability of rental cars can also generate demand for taxi services as taxis are an obvious substitute for a rental vehicle. Conversely, the introduction of rental car services—such as what occurred in recent years at Brown Field Airport—can negatively influence demand for taxicabs, as can discounted rental fees or other promotions which make a rental car a comparatively cheaper option for some travelers.

In short, because the formula relies on proxies that are imperfect substitutes for a measure of actual demand for taxicab service, the formula has the potential to trigger permits when none are actually needed by *overestimating* demand, or miss an increase in demand for taxicab ser-

vice that occurs without a corresponding increase in population or hotel occupancy. Moreover, by not considering how the competitive landscape in the transportation market may change over time, the formula effectively assumes that the taxicab industry's market share will remain a constant, regardless of competitors' growth, marketing strategies, or innovations such as car sharing services.<sup>16</sup> To the extent that the taxicab industry is experiencing greater competition than in the past, it would result in the formula overestimating demand for taxicab services in the current environment.

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<sup>16</sup>.Car sharing services provide short-term car rentals—typically by the hour. Zipcar is one such car sharing company that services both San Diego State and UC San Diego campuses.

## TESTING THE POLICY FORMULA

In the last chapter, we provided an overview of the formula outlined in Council Policy 500-02 for measuring demand for taxicab services and determining the supply of permits to be issued in San Diego. Our review of the merits and limitations of the formula was based primarily on *theoretical* considerations, recognizing that—conceptually—there are many circumstances in which the current policy formula may produce unreliable estimates of demand and the supply of taxicabs needed in the City.

In this chapter, we put some empirical muscle behind our analysis—on both the demand and supply sides of the equation—in an effort to further evaluate the policy formula’s approach for estimating demand and determining the corresponding supply of taxicabs for the City. In short, we use the available data to answer two critical questions: What does the policy formula yield for demand and the corresponding supply of taxicabs that *should* be operating in the City at the present time? And are these figures *reasonable* when compared to other independent sources of data on the market for taxicab services in San Diego?

**CURRENT POLICY FORMULA ESTIMATES OF DEMAND AND SUPPLY** As noted in the previous chapter, the current policy formula states that additional permits shall be issued after the transitional period (2007) according to a formula which employs both population growth and growth in hotel room occupancy since the baseline year (2001) as proxy measures for demand (see *Current Method* on page 19). According to the policy, additional permits are issued when the formula yields an increase of at least 40 permits based on a two year rolling average. Once additional permits are issued, the year in which they are issued becomes the new baseline year from which to calculate future growth in population and hotel occupancy.

**TABLE 2 FORMULA RESULTS WITH 2007 MARKING END OF TRANSITIONAL PERIOD**

Year	Baseline Year	City Population Estimate	Pop Growth 2 Year Ave	Hotel Rms Occupied	Occ Room Growth 2 Year Ave	Active # Permits for Year	Formula Yield for New Permits
2001	2001	1,236,151	-	12,590,196	-	870	-
...	...	...	...	...	...	...	...
<b>2007</b>	<b>2001</b>	<b>1,315,921</b>	<b>0.060</b>	<b>14,378,486</b>	<b>0.1440</b>	<b>978</b>	<b>100</b>
2008	2007	1,333,617	-	14,044,221	-	1095	-
2009	2007	1,353,993	0.021	13,229,180	(0.0516)	1095	-17
2010	2007	1,376,173	0.037	13,388,025	(0.0744)	1095	-20

Table 2 shows the results of the policy formula if it is populated using population estimates from the California Department of Finance for the City of San Diego,<sup>17</sup> as well as hotel occupancy figures for San Diego County available from the San Diego Convention & Visitors Bureau.<sup>18</sup> The table shows the City’s population for each year, the two year rolling average growth rate in population when compared to the baseline year, the number of hotel rooms occupied annually

17. 2001-2009 Estimates from CA Dept of Finance: E-4 Population Estimates for Cities, Counties and State, 2001-2009. 2010 Estimate from CA Dept of Finance: E-1: City/County Population Estimates with Annual Percentage Change January 1, 2009 and January 1, 2010.

18. Occupancy estimates were gathered from the annual San Diego County Visitor Industry Summary, produced for the San Diego Convention & Visitors Bureau. Note that hotel occupancy figures were only available for the City of San Diego dating back to 2007, which is why it was necessary to use countywide figures to populate the formula back to the 2001 baseline year.

countywide, the two year rolling average growth rate in hotel rooms occupied compared to the baseline year, the number of taxicab permits that were (or should be) available in the City of San Diego each year, and the number of new permits the formula indicates are needed.

Due to lawsuits, logistical issues and other factors which slowed the process for issuing the 135 permits mandated by Policy 500-02, 2007 marked the end of the transitional period and thus represented the first opportunity to use the formula to determine if new permits should be issued. According to the formula, by 2007 the growth in population and hotel occupancy was such that an *additional* 100 permits should have been issued to keep up with the demand for taxicab service. In other words, rather than having 978 permits, the total should have been increased to 1,078 plus the additional 17 that were already in motion for that year—bringing the total number of permits to 1,095. If the calculation were delayed to 2008 when the number of actual permits in the City was 995, the results are the same—the formula calls for an additional 100 permits, bringing the total in the City to 1,095.

Interestingly, Table 2 also shows that if 100 new permits were issued and 2007 became the new baseline year, the formula calls for a *reduction* in permits since that point. Although the City's population has continued to increase over time, hotel occupancy has declined since 2007 in response to the economic recession which has gripped the region. Of course, Policy 500-02 does not provide for a reduction in permits in response to decreases in demand, which means that the number of permits active in the City would remain at 1,095 despite the reduction in hotel occupancy. Nevertheless, even if the policy did allow for a reduction of permits, the formula would still indicate that 1,075 permits are needed at the present time.

**ARE THESE FIGURES REASONABLE?** Although the formula indicates that 100 additional permits are needed to meet the public's current demand for taxicab service, the question remains as to whether these permits are actually needed to balance supply and demand. As noted in the previous chapter, the formula does not measure demand directly (relying instead on proxy measures of population growth and hotel occupancy), nor does it take into account how competition from TCP vehicles, rental cars, and public transit can alter the taxicab industry's market share. This means that the current formula can easily *overestimate* demand and thus the supply of taxicabs needed in certain circumstances.

Anecdotally, it is hard to make a compelling case that the supply of taxicabs in San Diego needs to be increased to 1,095 in order to meet the current demand for taxicab service. Most industry insiders contacted during this study as well as the *2009 Taxicab Passenger Survey* complained that the economic recession had shrunk the market for taxicab service in San Diego, making for a tough business climate. There were fewer requests for service, fewer dispatched calls, and fewer trips per shift. What was needed was an increase in *demand*, not an increase in supply.

A review of data from the 2009 and 1999 *Taxicab Passenger Surveys* leads one to the same conclusion: that the policy formula is overestimating demand for taxicab service and the supply needed to meet it. The annual number of taxi trips that originate in the City of San Diego is a figure that can be estimated using data collected in the surveys in combination with data provided by taxicab radio service companies and the San Diego International Airport. Projecting based on information provided by the seven largest radio services, in 2009 it was estimated that of the 993 taxicabs currently licensed to operate in the City of San Diego, 760.5 were operating in the

City (not at the Airport) on a daily basis (see Table 3). The weighted average<sup>19</sup> hours in service per vehicle was 14.14 hours, which yielded an estimated 10,752 hours of taxicab service in the City (not including the Airport) daily. Based on the survey and trip log information collected in the 2009 study, it was estimated that the average number of trips per hour for a taxicab that was operating in the City (not at the Airport) was 0.744. Multiplying the number of hours of taxicab service by the estimated trips per hour yielded an estimated 7,999 trips per day—or 2,911,744 trips per year—that originate in the City at a location other than the Airport. Combining this information with the 779,749 trips that originated at the Airport in fiscal year 2008/2009 produced an estimated 3,691,493 taxicab trips in 2009 that originated in the City of San Diego.

TABLE 3 ESTIMATE OF ANNUAL TOTAL TAXI TRIPS

Parameter	Estimate
Average Daily # of Taxicabs in Operation in City (Non-Airport)	760.5
Weighted Average Hours in Service per Vehicle in City (Non-Airport)	14.14
Estimated Total Daily Taxicab Hours in City (Non-Airport)	10,752
Estimated Trips per Hour (Non-Airport)	0.744
Estimated Average Daily Non-Airport Trips	7,999
Estimated Annual Non-Airport Trips	2,911,744
Annual Taxi Trips Originating at Airport	779,749
Estimated Total Annual Taxicab Trips Originating in City of San Diego	3,691,493

Using the same methodology, the 1999 study found that the industry served 4,236,014 taxicab trips—544,521 *more* than in 2009. Thus, whereas following trends in population and hotel occupancy leads the policy formula to conclude that demand had increased over the decade, actual measures of demand (taxicab trips) revealed that gross demand for taxicab service was approximately 13% *lower* in 2009 than it was in 1999.

Keeping in mind that the supply of taxicabs operating in the City of San Diego in 2009 was substantially greater than the 1999 supply despite there being a smaller market for taxicab services in 2009, it is difficult to view as reasonable the formula's conclusion that an additional 100 permits would be needed to balance supply and demand in San Diego's taxicab market. Indeed, rather than increasing supply proportionately to meet an increase in demand, the policy formula would result in a 26% *increase* in supply since 1999 paired with a 13% *reduction* in demand over the same period.

It is unlikely that the typical taxicab operator would have found the increase in supply called for by the formula to be reasonable either if they understood the negative impact it would have had on productivity. In 1999, the average rate of trips per hour was 1.08 for a city cab not operating at the Airport—just over one trip per hour. Due to an increase in the supply of taxicabs and a reduction in gross demand, by 2009 the productivity rate had declined by nearly one-third to 0.744 trips per hour.<sup>20</sup> If the supply were further increased by 100 permits for the 2009 level of demand as dictated by the policy formula, it would have resulted in an even lower productivity rate of approximately 0.676. This would mean that during a 12 hour shift, the average cab driver

19. A weighted average means that radio services with larger fleets have a proportionately higher impact on determining the average hours in operation per vehicle.

20. See *1999 and 2009 Taxicab Passenger Studies*, as well as Table 3 above in this report.

in 1999 would service approximately 13 trips whereas the same driver in 2009 would service just eight trips.

## RECOMMENDED APPROACH FOR BALANCING SUPPLY & DEMAND

The data in the prior sections indicate that the policy formula produces an unreasonably high estimate of demand for taxicab services in San Diego and consequently overestimates the supply of taxicabs needed in the City. Accepting this conclusion naturally raises an important question: is there an alternative method that will better align supply and demand in San Diego's taxicab market? We think there is. As outlined in this chapter, the keys are to A) employ a direct measure of *demand* for taxicab service, and B) bracket the *supply* within a range where good customer service and a reasonable rate of return for taxicab operators coincide.

**RECOMMENDED METHOD FOR MEASURING TAXICAB DEMAND** Naturally, one of the keys to aligning the supply of taxicabs with demand is to have a reasonably accurate measure of the actual demand for taxicab service. Rather than relying on imperfect proxy measures such as population and hotel occupancy to estimate demand, a more accurate method would be to measure the *actual* demand for taxicab service as indicated by the number of taxicab trips per vehicle hour. In other words, by monitoring the frequency of taxicab trips in the City, one can achieve a much better profile of public demand for taxicab services.

The proposed direct measure of demand (average frequency of taxicab trips) automatically accounts for the forces of population growth, tourism, economic fluctuations, large-scale realignment of military personnel, and competition. If PSC and TCP vehicles are indeed competing with taxicabs more vigorously over time, it will be reflected in the frequency with which customers seek taxicab service. Conversely, a spike in demand for taxicab service that is not related to growth in population or hotel occupancy—such as one that can be caused by increased rental car rates—will be recognized and accounted for by directly measuring taxicab trip frequencies. In short, monitoring the frequency of taxicab trips is the best approach for producing an unbiased, statistically reliable measure of actual demand for taxicab service in the City at any given time. Ultimately, trip frequency can be monitored on a bi-annual, annual or even quarterly basis to isolate short-term and long-term fluctuations in demand, and determine when there is a sustained increase in demand that warrants the issuance of additional taxicab permits.

The equation for estimating trip frequency per hour for a *single* taxicab is as follows:

$$f_i = \frac{t_i}{h_i}$$

where:

- $f_i$  is the number of trips per hour for  $i^{\text{th}}$  taxicab, also known as trip frequency
- $t_i$  is the total number of trips carried by the  $i^{\text{th}}$  taxicab during the shift
- $h_i$  is the total number of hours that the  $i^{\text{th}}$  taxicab operated in the shift

To estimate the trip frequency for the taxicab *industry* in San Diego, if the shift lengths per observed taxicab are the same<sup>21</sup> then one could simply take the average of the individual taxicab trip frequencies using the following formula:

$$\hat{f} = \frac{1}{n}(f_1 + f_2 + \dots + f_n) = \frac{1}{n} \sum_{i=1}^n f_i$$

where:

- $\hat{f}$  is the estimated average number of trips per hour for San Diego's taxicab industry
- $f_i$  is the number of trips per hour for  $i^{\text{th}}$  taxicab
- $n$  is the number of taxicabs observed

In other words, one can simply sum the trip frequencies recorded for each taxicab observed in the study, then divide that total by the number of taxicabs observed in the study.

However, assuming that some taxicabs may be observed for longer periods of time than others, one could argue that this should be taken into consideration when calculating the industry's average trip frequency. In this case, the appropriate formula would be:

$$\hat{f} = \left( \sum_{i=1}^n t_i \right) / \left( \sum_{i=1}^n h_i \right)$$

where:

- $\hat{f}$  is the estimated average number of trips per hour for San Diego's taxicab industry
- $t_i$  is the total number of trips carried by the  $i^{\text{th}}$  taxicab during the shift
- $h_i$  is the total number of hours the  $i^{\text{th}}$  taxicab operated in the shift
- $n$  is the number of taxicabs observed

Using this approach, one simply sums the total number of trips serviced by all taxicabs observed in the study and divides that sum by the total number of hours spent observing the taxicabs.

**Options for Measuring Demand Directly** Logistically, MTS could directly monitor demand for taxicab services through several methods. Perhaps the most obvious—though potentially problematic—method would be to monitor drivers' trip logs. In the near future, it is expected that all taxicabs in the City will transition to electronic trip logs. Assuming that these logs could be structured in a uniform format, they could be confidentially monitored by MTS on a quarterly basis to measure demand for taxicab service overall, and by a variety of relevant variables.<sup>22</sup> In the meantime, MTS has the authority to request trip logs in hard copy form from operators. Using a random sampling methodology from among the trip logs provided by taxi companies,

21. In other words, each taxicab was observed for the same length of time (e.g., eight hours).

22. For example, identifying how trip frequencies vary by geography could illuminate a need for additional taxicab services and/or taxicab stands in select areas.

MTS could estimate trip frequency and demand for taxicab services, as well as conduct statistical significance testing to identify statistically significant increases in demand for taxicab services over time.

The principal problem with this approach to measuring trip frequency, however, is that its accuracy depends on the accuracy of drivers' accounts for their shift. According to industry insiders, the accuracy of trip logs vary substantially from driver to driver and—on the whole—are often inaccurate. Although there are certainly some drivers who keep meticulous and accurate records of their trips, at the other end of the spectrum there are those who fail to use trip logs *at all* during their shift and simply make-up the information several days later. There are also instances when drivers will strategically choose *not* to record certain types of trips (such as short street-hail trips made while they are belled in to a particular zone) in order to retain their spot in the dispatch queue, whereas others may purposely inflate their trip logs to account for credit card vouchers traded or purchased from another driver. In short, if industry insiders readily concede that trip logs are often inaccurate, then until there are ways/regulations to compel drivers to keep accurate records they do not represent a reliable approach for measuring trip frequency.

Fortunately, there are several alternative methods for measuring trip frequency that do not rely on drivers to accurately report the activities of their shift. MTS can choose to monitor trip frequency through periodic surveys such as the *2009 Taxicab Passenger Survey*, in which interviewers are able to monitor trip frequency as well as other trip characteristics—such as origin, destination, trip length, fare, tip, etc. As noted in the next section of this chapter, having additional details about average fare and tip could be helpful in refining the appropriate supply of taxicabs over time. MTS staff or consultants could also conduct periodic ride-alongs<sup>23</sup> or ride-behinds<sup>24</sup> to develop an independent measure of trip frequency through observation. For each of these methods, however, it is critical that the sample of taxicab shifts monitored be *representative*. Accordingly, we would recommend developing a stratified random sample that takes into consideration radio dispatch service, taxicab fleets, as well as time of day and location when selecting taxicabs to sample.

**OVERVIEW OF METHOD FOR DETERMINING SUPPLY** Having proposed a method for estimating demand for taxicab services, the next task is to develop a method for determining the *supply* of taxicabs that is appropriate for a given level of demand. Before we outline our recommended methodology for setting the supply, however, it is worth reminding the reader that Council Policy 500-02 is chiefly concerned with meeting the needs of the *customer*. Indeed, the very first sentence of the policy states that “Regulation of taxicab service is in the interest of providing citizens and visitors to the City of San Diego with a good quality local transportation service”.

Intuition as well as the collective evidence suggests that, when it comes to the supply of taxicabs, meeting the needs of the customer requires a balancing act of sorts. Having too few taxicabs will result in a variety of problems for the customer—including slow response times, insufficient competition, and an inability to secure transportation in a timely manner. Too many

23.A ride-along is where the staff or consultant rides along with a driver during their shift.

24.A ride-behind is where the staff or consultant follows a particular taxi in a separate vehicle. This method is less intrusive, and also has less chance of causing a potential customer to mistakenly think that the cab is already occupied by a customer.

taxicabs, however, can lead to low productivity for drivers, aggressive solicitation techniques, jockeying for position at prime locations, high driver turnover, and a general degradation of service and vehicle quality as companies attempt to operate below the financial break-even point. The key, therefore, is to bracket the supply within a range where good customer service and a reasonable rate of return for taxicab operators coincide.<sup>25</sup>

What is that range? Let's start to answer that question by reviewing what the available data says about the relationship between supply, demand, and customer service in San Diego's taxicab market.

**CUSTOMER SERVICE DATA** Fortunately, the agencies responsible for regulating the taxicab industry have periodically invested in studies to measure the travel experiences of taxicab passengers, including objective performance measures (such as response time and trip duration), passenger characteristics (e.g., location of residence, gender, reasons for using a taxi), as well as a variety of subjective performance indicators from the passenger's perspective (such as perceived vehicle condition, promptness of service, and driver courtesy). In this section, we draw upon data from the two most recent *Taxicab Passenger Surveys* (1999 and 2009) to track the performance trends and their relationship to taxicab supply and demand. Because these two studies bracket a period in which the supply of taxicabs in the City was increased by 125 permits and the *trip frequency* declined substantially, they offer an opportunity to determine whether the increase in supply of taxicabs was associated with positive trends in customer satisfaction.

It is important to note at the outset, however, that there are limits to what one can determine based on two studies conducted a decade apart—during which time other factors were changing as well. Finding a positive trend in customer satisfaction between 1999 and 2009, albeit consistent with the conclusion that an increase in supply relative to demand increased customer satisfaction, is not *definitive* evidence to that effect. There are other factors that could account for the increase in customer satisfaction during this period, including improved regulations and monitoring of the industry, improved driver training requirements, etc. There are also other factors that could stifle the positive impacts of a supply increase on customer satisfaction, such as greater traffic congestion over time resulting in response times that are slower than they otherwise would be. Thus, although there is utility in examining the *association* between taxicab supply, demand, and customer satisfaction, it is important to recognize that customer satisfaction can be driven by factors other than the available supply of taxicabs.

**Study Environments** The *1999 Taxicab Passenger Survey* was conducted toward the end of the Moratorium period in which no new permits were being issued. At the time of the study, there were approximately 870 taxicab permits operating in the City of San Diego. By most measures, the demand for taxicabs was strong during this period in relationship to the available supply. As noted previously, the 1999 study found that the industry served 4,236,014 taxicab trips that year that originated in the City of San Diego, inclusive of the Airport.

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25. Although it is understandable that some lease drivers would prefer to own a permit and avoid having to pay a lease to operate a taxicab, this reason (by itself) is insufficient to warrant additional permits. Indeed, unless there is sufficient demand to justify the additional permits, adding permits will create an oversupply of taxicabs that will have a negative impact on drivers' standard of living and the industry as a whole.

The 2009 study was conducted in a much different environment than the 1999 study. The economic recession that began in 2007 had yet to release its grip on the region, and the economic slowdown appeared to negatively impact the demand for taxicab service in the City of San Diego. Taxicab trips originating at the San Diego International Airport, for example, declined by 14% between Fiscal Year 2007/2008 (907,506 trips) and Fiscal Year 2008/2009 (779,749 trips). Overall, the industry's greater number of taxicabs (993) served an estimated 3,691,493 taxicab trips in 2009 that originated in the City of San Diego—544,521 fewer than in 1999.

In terms of *trip frequency*, which is our proposed measure of demand, the estimated trips per hour in 1999 was 1.08, whereas the corresponding figure in 2009 was substantially lower at 0.744. For the purpose of this chapter, the fact that the environments in which the two surveys were conducted were quite different in terms of the available supply of taxicabs relative to the demand makes for a useful comparison.

**Study Findings** Comparisons of the 1999 and 2009 survey results reveal that although the industry's *objective* performance indicators declined slightly between 1999 and 2009, the *subjective* experience of the passenger improved substantially.<sup>26</sup>

Objective performance indicators are those that can be assessed without relying on the perspective of the passenger or customer—such as response time, trip speed, and cost. Between 1999 and 2009, the studies revealed that taxis are taking slightly longer to respond to calls, longer to complete trips, and the cost of the trip per mile is more expensive even after adjusting for inflation. Although each of these objective performance indicators are influenced by factors (such as traffic congestion) that are not within the industry's ability to control, they are nevertheless useful performance indicators and the general trend was one of slight decline.

Although objective indicators of performance for San Diego's taxicab industry are useful, arguably the most important performance indicators for the purposes of this chapter are the *subjective* kind. That is, how do those who choose to use the service evaluate its performance—by specific performance dimensions and over time? In contrast to the patterns found with respect to objective measures of performance, the subjective measures of performance showed a distinct trend of improvement between 1999 and 2009 (see Table 4).

**TABLE 4 RATING SAN DIEGO TAXI SERVICE BY STUDY YEAR SHOWING % GOOD**

	Study Year		Difference in % <i>Good</i> Rating 1999 to 2009
	2009	1999	
Promptness of service	75	60	+15†
Overall taxi service	72	61	+11†
Taxi availability during day	81	70	+11†
Taxi vehicle condition	67	59	+8†
Driver courtesy	75	68	+7†
Driver appearance	66	60	+6†
Safe driving	71	66	+5
Taxi availability at night	59	54	+5
Driver knowledge	65	64	+1
Taxi fares	40	40	No change

† Statistically significant change ( $p < 0.05$ ) between the 1999 and 2009 studies.

26. For a detailed discussion of the 2009 results and how they compare those of the 1999 survey, see *2009 Taxicab Passenger Survey*, Final Report prepared for MTS by True North Research.

When asked to evaluate the taxicab industry in San Diego on a variety of performance dimensions, more than two-thirds of passengers in 2009 provided the highest rating (good) to taxi availability during the day (81%), driver courtesy (75%), promptness of service (75%), overall taxi service (72%), and the safety of driving (71%). A clear majority also rated the vehicle condition (67%), appearance of the driver (66%), knowledge of the driver (65%), and the availability of a taxi at night (59%) as good. For only one performance dimension (taxi fares) did less than a majority (40%) rate the industry's performance as good.

More importantly for our purposes, when compared to 1999, residents' ratings of taxi service improved on every dimension tested. The greatest improvements were with respect to perceived promptness of service (+15% good), ratings of taxi service overall (+11%), taxi availability during the day (+11%), taxi vehicle condition (+8%), and driver courtesy (+7%). Although not shown in Table 4, *perceived* response time also improved between 1999 and 2009, despite objective indicators to the contrary.

**Conclusions from Survey Data & Historical Data** From the patterns discussed above, one can conclude that although the industry was able to provide satisfactory levels of customer service in *both* 1999 and 2009, the increased supply of taxicabs (combined with lower demand) in 2009 appears to have contributed to an increase in overall customer satisfaction. In other words, as the overall supply increased and *trip frequency* declined between 1999 and 2009, customer service improved. That these improvements were to some extent driven by an increased supply is consistent with the survey data. After all, customers prioritize quick response times and the ability to find a taxi on the street *above all other aspects of taxicab service*,<sup>27</sup> these are the specific dimensions of service that enjoyed the largest increase in customer satisfaction between 1999 and 2009, *and* these are the two aspects of taxicab service that are most directly impacted by the available supply of taxis.

Finding that an increase in supply relative to demand improved customer service between 1999 and 2009 may lead some to argue for even greater increases in supply. If a little increase is good, then a bigger increase will result in even bigger customer service improvements, right? Wrong. The relationship is not linear. Just as an increase in supply relative to demand can improve customer satisfaction, history tells us that an *oversupply* of taxicabs can have the opposite effect. During the Open Entry period from 1979 to 1983, the supply of taxicabs more than doubled from 409 to 928, resulting in what most considered to be a glut of taxicabs on the streets at that time. The number of taxicabs per 10,000 residents increased from 4.83 in 1979 to 9.69 by 1984.<sup>28</sup> As described in more detail earlier in this report [see *Open Entry (1979-1984)* on page 14] the result was excessive competition, low productivity, and a general degradation of service quality as companies attempted to operate below the financial break-even point. During public hearings by the Transportation and Land Use Committee, complaints were voiced from within the industry about having to work longer hours for the same or less pay due to the supply of taxicabs out-stripping demand. Visitors, residents, the Convention and Visitors's Bureau, the Port Commission, and others also registered complaints that were often caused, at least in part, by the rapid growth, decentralization, and highly competitive nature of the industry during the *Open Entry* period. Their complaints ranged from pricing confusion and overcharging, to the

27. See *2009 Taxicab Passenger Survey*, page 41.

28. By comparison, there are approximately 7.33 taxicabs per 10,000 residents in today's market.



poor condition of taxicabs, to the appearance and attitude of drivers, and to altercations caused by overcrowding of taxis at key locations such as the Airport.



Keeping passengers pleased with the industry's performance requires a *balance* between supply and demand. Increasing the supply relative to demand can be beneficial as noted above, but only to the point where taxicab operators are still able to recoup a reasonable rate of return on their investment. The key, therefore, is to bracket the supply within a range where good customer service and a reasonable rate of return for taxicab operators coincide. Where is that range? To answer that question, we first need to understand more about the costs of operating a taxicab in the City—which is the subject of the next section.

**COSTS OF OPERATING A TAXICAB IN SAN DIEGO** The financial realities of operating a taxicab in San Diego place a natural ceiling on the supply of taxicabs that should be active in the City at a given time. Put simply, if there is not enough demand for taxicab services to support a reasonable rate of return on their investment among *existing* taxicab permit holders, then it is difficult to argue that increasing the supply further would ultimately be beneficial—for the industry or for customers.

To learn more about the actual costs of operating a taxicab, True North conducted in-person interviews with several local taxicab operators, reviewed their financial documents, and also compared the findings with information that was available from other sources. The profile described below is a compilation and synthesis of the information collected, and does not reflect the patterns found in a single company. Of course, because costs may vary across taxicab operators based on a number of different factors, the reader should consider the following profile to be an approximation or estimate of the actual costs of operating a taxicab in the City of San Diego. These models assume that the taxicab operates in the City only, not at the Airport.

Moreover, because the purpose of this analysis is to identify a *threshold* beyond which additional permits should not be issued, the assumptions that were factored into the Compensation/Labor costs are purposely conservative to establish a *minimum standard* of living for the taxicab driver. Experienced taxicab drivers are likely to earn substantially more than the models depicted in this section.

**Lease Driver Scenario** The majority of taxicab drivers in the City of San Diego do not own their vehicle or permit—they lease a taxicab on a monthly (or weekly) basis from a permit holder. For a fixed-fee paid to the permit holder, the driver has use of the taxicab for a specified period of time. Under the lease driver scenario, it is typical for the permit holder to provide and maintain the vehicle, provide radio service, and insure the vehicle. The driver, meanwhile, is responsible for the lease payment, as well as operational costs such as fuel, car washes and tickets.

Table 5 on the next page presents a cost model for the Lease Driver scenario. Because the objective of this analysis is to identify when there is enough demand to justify additional permits, the model represented in the table reflects a new driver entering the market and the costs they will incur during their first year. For convenience, the costs are grouped according to whether they are Start Up Costs, Operational Costs, or Compensation/Labor.

TABLE 5 LEASE DRIVER SCENARIO - FIRST YEAR (CONSERVATIVE ESTIMATE)

	Costs	
	Annual	Monthly
<b>Start Up Costs</b>		
<b>Licensing</b>		
Sheriff's Taxi Driver Identification Card	\$ 83	\$ 7
DOJ & FBI Clearance	\$ 51	\$ 4
Drug Test	\$ 35	\$ 3
Business License	\$ 49	\$ 4
MTS Driver's Test A	\$ 20	\$ 2
MTS Driver's Test B	\$ 15	\$ 1
City Business License	\$ 34	\$ 2.83
<b>Miscellaneous</b>		
DMV Printout	\$ 5	\$ 0.42
Map Book/GPS	\$ 19	\$ 1.58
Clip Board, Flashlight, Misc.	\$ 25	\$ 2.08
Subtotal	\$ 336	\$ 16.83
<b>Operational Costs</b>		
Vehicle/Medallion Lease	\$ 24,000	\$ 2,000
Gas	\$ 7,200	\$ 600
Miscellaneous	\$ 480	\$ 40
Car Washes	\$ 960	\$ 80
Tickets	\$ 720	\$ 60
Cell Phone	\$ 900	\$ 75
Subtotal	\$ 34,260	\$ 2,855
<b>Compensation/Labor</b>		
Compensation	\$ 28,800	\$ 2,400
<b>Total</b>	<b>\$ 63,396</b>	<b>\$ 5,272</b>

One of the attractive features of leasing a taxicab is that it minimizes the start up costs associated with having a taxicab business. In the first year, the start up costs are estimated at just \$336 for a lease driver. The Operational Costs of the lease driver scenario—including paying for the lease, gas, and car washes—represents the single largest category of expenses (\$34,260 annually). With respect to compensation, it is assumed the lease driver operates his or her vehicle 25 days per month for an average 12 hour day.<sup>29</sup> Once again, because the purpose of this analysis is to set a *minimum standard* threshold for issuing new permits, we assume a minimum wage of \$8 per hour that yields an annualized compensation figure of \$28,800. Summing the three cost categories yields an annualized cost estimate of \$63,396 in the first year for the lease driver scenario. Stated differently, in order to cover the costs of starting the business, operating their cab, and paying themselves minimum wage for the hours they work, a lease driver's break-even point is \$5,272 per month in their first year of business.

29. This *conservative* estimate of operational hours translates to 3,600 hours of service per taxicab annually. This estimate does not reflect a high incidence of cab sharing, where two drivers share a lease. Under that more aggressive scenario (see *Example Calculations using Aggressive Estimates* on page 38) the estimated hours of operation and the costs of operating the taxicab are greater.

TABLE 6 OWNER DRIVER SCENARIO—FIRST YEAR (CONSERVATIVE ESTIMATE)

	Costs	
	Annual	Monthly
<b>Start Up Costs</b>		
<b>Licensing</b>		
Sheriff's Taxi Driver Identification Card	\$ 83	\$ 7
DOJ & FBI Clearance	\$ 51	\$ 4
Drug Test	\$ 35	\$ 3
Business License	\$ 49	\$ 4
MTS Driver's Test A	\$ 20	\$ 2
MTS Driver's Test B	\$ 15	\$ 1
City Business License	\$ 34	\$ 3
MTS Annual Regulatory Fee	\$ 450	\$ 38
MTS Permit Application	\$ 3,900	\$ 325
<b>Miscellaneous</b>		
DMV Printout	\$ 5	\$ 0
Map Book/GPS	\$ 19	\$ 2
Clip Board, Flashlight, Misc.	\$ 25	\$ 2
<b>Vehicle &amp; Prep</b>		
Vehicle Purchase (5 year life of vehicle)	\$ 1,773	\$ 147.74
DMV Registration	\$ 300	\$ 25
Smog	\$ 40	\$ 3
Weights & Measures DMV commercial plates	\$ 10	\$ 1
Paint	\$ 500	\$ 42
Lettering	\$ 100	\$ 8
Meter & Top Light	\$ 340	\$ 28
Radio & Antenna Installed	\$ 320	\$ 27
Meter License/weights & measures	\$ 120	\$ 10
Subtotal	\$ 8,189	\$ 682
<b>Operational Costs</b>		
Gas	\$ 7,200	\$ 600
Maintenance & Repairs	\$ 3,600	\$ 300
Radio Service	\$ 1,800	\$ 150
Insurance	\$ 3,500	\$ 292
Miscellaneous	\$ 480	\$ 40
Car Washes	\$ 960	\$ 80
Tickets	\$ 720	\$ 60
Cell Phone	\$ 900	\$ 75
Subtotal	\$ 19,160	\$ 1,597
<b>Compensation/Labor</b>		
Compensation	\$ 28,800	\$ 2,400
<b>Total</b>	<b>\$ 56,149</b>	<b>\$ 4,679</b>

**Owner Driver Scenario** Although not as common as the lease driver scenario described above, there are individuals who both own and operate their taxicab in the City of San Diego (see Table 6 on previous page). In the Owner Driver scenario, the driver assumes greater start up costs including paying the MTS permit application fee, as well as the purchase and preparation of the taxicab vehicle. Because the objective of this analysis is to identify when there is enough demand to justify MTS issuing *additional* permits, the model represented in the table reflects an individual being awarded a new medallion from MTS rather than purchasing an existing medallion from another owner (which would result in much greater start up costs). Although their start up costs are greater than lease drivers', owner drivers enjoy lower Operational Costs (\$19,160 annually)<sup>30</sup> and lower total costs per year (\$56,149) for operating their taxicab business assuming the same level of compensation (\$28,800).

**TRIPS NEEDED TO SUSTAIN NEW PERMIT** The models describe above outline the costs associated with starting and operating a taxicab business in the City of San Diego for lease driver and owner driver scenarios using conservative estimates with respect to the hours that a taxicab is operated and the associated operational and compensation costs. To cover these costs and break-even on their investment, the drivers will need to generate an equivalent amount in *revenue* through fares and tips paid for their services. The central question, therefore, is how many trips must a driver provide each year to cover their costs?

Although the fares earned vary from trip to trip based on trip distance, congestion levels, and other factors, the *2009 Taxicab Passenger Survey* provides useful data on the average trip distance, trip duration, and fares in San Diego. Focusing on trips that originate in the City of San Diego (not at the Airport) to be consistent with the cost models discussed previously, the average trip distance in 2009 was 4.2 miles, the average duration 12.1 minutes, and the average fare was \$13.72. Assuming an average tip of 10%, a driver in 2009 could expect an average of \$15.09 in revenue for each taxi trip they provided.

With an average revenue of \$15.09 per trip, a lease driver will need to secure 4,201 trips per year—or 14 per day<sup>31</sup>—in order to generate enough revenue to cover the \$63,396 costs of operating their business. The corresponding figures for owner drivers are 3,721 trips annually—or 12.4 trips per day—to generate the required \$56,149 for the year.

**EQUATION FOR BALANCING SUPPLY AND DEMAND** As noted previously in this report, aligning supply and demand requires a balancing act. Having too few taxicabs will result in a variety of problems for the customer—including slow response times, insufficient competition, and an inability to secure transportation in a timely manner. Too many taxicabs, however, can lead to low productivity for drivers, aggressive solicitation techniques, jockeying for position at prime locations, high driver turnover, and a general degradation of service and vehicle quality over the long run as drivers and companies attempt to operate below the financial break-even point. The key, therefore, is to bracket the supply within a range where good customer service and a reasonable rate of return for taxicab operators coincide.

30. The higher operating costs for lease drivers is based on the lease fee being included in the operating costs. In actuality, the lease fee covers a combination of both start up and operating costs paid for by the permit holder.

31. Assuming 25 days of work per month.

One of the central advantages to measuring demand for taxicab services directly in terms of *trip frequencies* (see *Recommended Method for Measuring Taxicab Demand* on page 26) is that it provides a common factor—a nexus—for linking the concepts of demand with supply. Trip frequency is not only a measure of demand, as shown above it can be readily translated into revenue estimates and thus provides a common denominator for how we conceive of demand, gauge revenue and costs, and ultimately justify the supply of taxicab permits in the City.

According to the cost analyses of this chapter, the minimum trip frequency required for sustaining the most typical type of taxicab business in San Diego (lease driver scenario) is 1.17 trips per hour.<sup>32</sup> Below this threshold, a driver will not earn the revenue needed to cover the costs of operating a taxicab, or will need to work more than 12 hours per shift—or more than 25 shifts per month—in order to secure the necessary revenue. Accordingly, 1.17 trips per hour for taxicabs operating in the City should be considered the *minimum* trip frequency threshold for issuing new permits in the City of San Diego. That is, the existing demand must be sufficient to generate an average 1.17 trips per hour (or 4,201 trips per year) for the existing fleet *as well as the proposed additional taxicabs* before MTS issues the new permits.

Using this *minimum* standard approach,<sup>33</sup> the recommended equation for setting the supply of taxicabs operating in the City of San Diego is as follows:

$$S = \frac{\hat{D}}{m}$$

where:

- $S$  is the total supply of taxicabs that *should* be operating in the City in a given year
- $\hat{D}$  is the demand for taxicab service for the given year, which in this case is represented as the estimated total number of trips provided by the taxicab industry in San Diego on an annual basis
- $m$  is the minimum number of trips needed per year to sustain a new taxicab entering the market in its first year under a lease driver scenario (4,201 based on current calculations)

and

$$\hat{D} = [\hat{f} \times h \times (N - A)] + T_a$$

where:

- $\hat{f}$  is the estimated average number of trips per hour for city cabs<sup>34</sup> in a given year (see *Recommended Method for Measuring Taxicab Demand* on page 26 for how to derive  $\hat{f}$ )

32.This is based on the average fare (with 10% tip) for taxicab trips originating in the City being \$15.09, and assuming the driver works 12 hours per day, 25 days per month.

33.One could argue, of course, that a standard higher than the *minimum* should be used for establishing the threshold for issuing additional permits. However, the minimum standard is a very useful standard for the purposes of this exercise as it defines the point beyond which the taxi driver in a lease scenario will no longer be able to cover his or her costs for providing their service. As such, it marks the point where the revenue generated by the demand in the market is just enough to sustain the existing fleet of taxicabs and there is no excess demand in the system to warrant an increase in supply.

34.This figure only includes cabs without airport permits.

- $h$  is the number of hours a taxicab typically operates in San Diego per year
- $N$  is the estimated total number of taxicabs permitted in the City of San Diego
- $A$  is the average number of taxicabs that operate at the Airport on a daily basis
- $T_a$  is the estimated number of taxi trips originating at the San Diego International Airport in a given year

and:

$$m = \frac{c}{r}$$

where:

- $c$  is the annual total cost for a new taxicab entering the market under a lease driver scenario in the first year (see *Costs of Operating a Taxicab in San Diego* on page 32 for cost model)
- $r$  is the revenue received from the average taxi trip that originates in the City of San Diego (not including trips originating at the Airport) in a given year (fare + tip).

**WHAT IS THE APPROPRIATE SUPPLY FOR THE CURRENT MARKET?** To help illustrate the process for estimating the recommended supply of taxicabs in San Diego, as well as identify the appropriate supply for current market conditions, let's work through the equations using the most recent estimated values for the variables. Because the hours that a taxicab operates on an annual basis is a key factor that has a significant impact on the costs of operating a taxicab business, the estimated demand for taxicab service in the City, and ultimately the recommended supply needed to meet the demand, we have calculated the supply using both conservative and aggressive estimates of the hours a taxicab operates annually (see below).

**Example Calculations using Conservative Estimates** Using *conservative* assumptions with respect to the hours that a taxicab operates (3600 annually),<sup>35</sup> we have estimated the current annual total cost for a new taxicab entering the market under a lease driver scenario in the first year ( $c$ ) to be \$63,396 and the average revenue per taxicab trip that originates in the City of San Diego ( $r$ ) to be \$15.09. In a conservative scenario, the minimum number of trips needed per year to sustain a new taxicab entering the market in its first year under a lease driver scenario in the current market ( $m$ ) is thus \$63,396/\$15.09 or 4,201 trips.

To estimate the total demand for taxicab service ( $\hat{D}$ ), we first subtract from the total number of taxicabs permitted in San Diego ( $N$ :992) the average number of taxicabs that operate at the Airport on a daily basis ( $A$ :181)<sup>36</sup> and then multiply that difference by the estimated average number of trips per hour serviced by city cabs in a given year ( $\hat{f}$ :0.744)<sup>37</sup> and the conservative total number of hours a taxicab typically operates on an annual basis ( $h$ :3600). Finally, to this figure is added the estimated number of taxi trips originating at the San Diego International Airport in

35.The estimate of 3,600 hours is the same assumption underpinning the conservative cost model for a lease driver scenario (see Table 5 on page 33). It is based on a typical taxicab being operated 12 hours per day, 25 days per month. This translates to 3,600 hours of service per taxicab annually. This estimate does not reflect a high incidence of cab sharing, where two drivers share a lease. Under that more aggressive scenario (see *Example Calculations using Aggressive Estimates* on page 38) the estimated hours of operation and the costs of operating the taxicab are greater.

36.This is based on the most recent figures from MTS.

37.Based on data from the 2009 *Taxicab Passenger Survey*.

a given year ( $T_a$ :779,749).<sup>38</sup> The resulting *conservative* demand estimate, as shown below, is 2,951,931 annual trips.

$$\hat{D} = [0.744 \times 3600 \times (992 - 181)] + 779,749 = 2,951,931$$

Solving for supply using conservative assumptions, we get:

$$S = \frac{\hat{D}}{m} = \frac{2,951,931}{4,201} = 703$$

Based on a *conservative* estimate of demand for taxicab services in San Diego and the number of trips required to sustain a lease driver taxicab business, the appropriate supply in the current market would be 703 permits.

**Example Calculations using Aggressive Estimates** Using *aggressive* assumptions with respect to the hours that a taxicab operates (5160 annually),<sup>39</sup> we have estimated the current annual total cost for a new taxicab entering the market under a lease driver scenario in the first year ( $c$ ) to be \$79,514 (see Table 7 on page 39) and the average revenue per taxicab trip that originates in the City of San Diego ( $r$ ) to be \$15.09. In an aggressive scenario, the minimum number of trips needed per year to sustain a new taxicab entering the market in its first year under a lease driver scenario in the current market ( $m$ ) is thus \$79,514/\$15.09 or 5,269 trips.

To estimate the total demand for taxicab service ( $\hat{D}$ ), we first subtract from the total number of taxicabs permitted in San Diego ( $N$ :992) the average number of taxicabs that operate at the Airport on a daily basis ( $A$ :181) and then multiply that difference by the estimated average number of trips per hour serviced by city cabs in a given year ( $\hat{r}$ :0.744) and the *aggressive* estimate of the total number of hours a taxicab typically operates on an annual basis ( $h$ :5160). Finally, to this figure is added the estimated number of taxi trips originating at the San Diego International Airport in a given year ( $T_a$ :779,749). The resulting *aggressive* demand estimate, as shown below, is 3,893,210 annual trips.

$$\hat{D} = [0.744 \times 5160 \times (992 - 181)] + 779,749 = 3,893,210$$

Solving for supply using aggressive assumptions, we get:

$$S = \frac{\hat{D}}{m} = \frac{3,893,210}{5,269} = 738$$

Although the *aggressive* assumptions regarding the amount of hours that a taxicab operates annually in this scenario results in a substantially greater estimate of the total demand for taxicab trips in San Diego ( $\hat{D}$ ), longer hours also mean greater variable costs associated with providing a taxicab service ( $m$ ), the end result being that the recommended supply of 738 permits

38. This figure was supplied by the Airport for the 2009 Taxicab Passenger Survey and is based on transponder data.

39. This more aggressive figure is based on assumptions that were used when estimating annual trips serviced by the industry in the prior Taxicab Passenger Survey studies. In effect, a taxicab is expected to be operational 14.14 hours per day, every day. This scenario assumes a high incidence of cab sharing, where a single cab is shared by multiple drivers.

using aggressive assumptions is just 5% higher (35 permits) than that using conservative assumptions (703).

**TABLE 7 LEASE DRIVER SCENARIO - FIRST YEAR (AGGRESSIVE ESTIMATE)**

	Costs	
	Annual	Monthly
<b>Start Up Costs</b>		
<b>Licensing</b>		
Sheriff's Taxi Driver Identification Card	\$ 83	\$ 7
DOJ & FBI Clearance	\$ 51	\$ 4
Drug Test	\$ 35	\$ 3
Business License	\$ 49	\$ 4
MTS Driver's Test A	\$ 20	\$ 2
MTS Driver's Test B	\$ 15	\$ 1
City Business License	\$ 34	\$ 2.83
<b>Miscellaneous</b>		
DMV Printout	\$ 5	\$ 0.42
Map Book/GPS	\$ 19	\$ 1.58
Clip Board, Flashlight, Misc.	\$ 25	\$ 2.08
Subtotal	\$ 336	\$ 16.83
<b>Operational Costs</b>		
Vehicle/Medallion Lease	\$ 24,000	\$ 2,000
Gas	\$ 10,320	\$ 860
Miscellaneous	\$ 688	\$ 57
Car Washes	\$ 960	\$ 80
Tickets	\$ 1,030	\$ 86
Cell Phone	\$ 900	\$ 75
Subtotal	\$ 37,898	\$ 3,158
<b>Compensation/Labor</b>		
Compensation	\$ 41,280	\$ 3,440
<b>Total</b>	<b>\$ 79,514</b>	<b>\$ 6,626</b>

**WHY IS THE RECOMMENDED SUPPLY ESTIMATE SO LOW?** Even using the more aggressive assumptions regarding the hours that a taxicab operates in the City, the recommended supply in the current market (738 permits) is well below the existing supply of permits (992). The reason for this pattern is simple: the *demand* for taxicab services in the current market is well below the levels needed to sustain a supply of 992 taxicabs.

This finding—that supply is outstripping demand in the current taxicab market—is consistent with the financial analyses of what it takes to sustain a taxicab business (see *Costs of Operating a Taxicab in San Diego* on page 32 and *Trips Needed to Sustain New Permit* on page 35), the comparative analyses of demand for taxicab services in San Diego in 1999 and 2009 (see *Are These Figures Reasonable?* on page 23), as well as the anecdotal and survey feedback we encountered from many in the industry during the course of this study<sup>40</sup> and the *2009 Taxicab Passenger Survey*.

The finding also makes sense from a *productivity* perspective: if existing cab drivers are servicing less than one trip per hour on average, there is excess supply. The average response time from a dispatch call to customer pick-up is 10.5 minutes, and the average taxicab trip originating in the City takes just 12.1 minutes from pick-up to drop-off.<sup>41</sup> With a trip frequency rate of just 0.744 trips per hour, a driver can expect approximately 3 trips every four hours. Thus, during the four hour period, the driver can expect 67.8 minutes of productive driving (responding to a dispatch call, picking up a customer, and delivering a customer to their destination) and 172.2 minutes of excess capacity. In other words, the average taxicab is idle approximately 72% of the time. A market with excess capacity, especially of this magnitude, is not in balance—there is an overabundance of supply relative to demand.

Of course, it is important to keep in mind that the industry is currently suffering through a recessionary period. Although demand is low now, it has been substantially higher in the past and will likely rebound in the future. The trip frequency rate recorded in the *1999 Taxicab Passenger Survey*, for example, was 1.08 trips per hour—45% higher than the 0.744 rate found in 2009. The 1999 rate is very similar to the rate that our financial analyses indicate is required to sustain a lease driver taxicab business in the current market using conservative assumptions (1.17 trips per hour). Moreover, if demand in the current market *were* high enough to generate the 1.17 trips per hour average noted above, the recommended supply of taxicabs in San Diego using the equations outlined previously would be 998—almost exactly the amount of the current supply! In other words, the current supply of taxicabs in the City of San Diego is well aligned to what *would* be recommended if the trip frequency rate were similar to what it has been in the past, prior to the recession.



**IMPACT OF AIRPORT ON TAXI SUPPLY** The San Diego International Airport relies on taxicabs permitted to operate in the City to also service the needs of airline passengers. Because the frequency of trips, trip lengths, and the revenue generated by trips originating at the Airport are all typically greater than the corresponding values for trips originating in other parts of the City,<sup>42</sup> operating a taxi at the Airport is a comparatively attractive proposition. Drivers are usually willing to pay the additional fees necessary to acquire a license to operate at the Airport, and those that have a license will tend to focus their activities at the Airport whenever possible.

On a typical day, the Airport draws 181 taxicabs away from the City—although this number can become much larger when the Airport is experiencing high passenger volumes. There has also been discussion recently about the Airport increasing its demand for taxis, which would result in fewer taxis servicing trips that originate at other locations throughout the City.

Anticipating that the Airport may change the number of taxicabs it draws from the City in the near future, the demand equation outlined in this chapter (see *Equation for Balancing Supply and Demand* on page 35) was designed to accommodate changes in the Airport's draw of taxis.

40. During the course of this study we conducted an informal survey of 47 San Diego taxicab drivers, and the results are consistent with the conclusion that the current market is suffering from an overabundance --- not a deficit—of taxicabs. More than three out of every four drivers surveyed (76%) indicated that the number of passenger trips they carry in a typical day has decreased during the past two years, and more than two-thirds (69%) stated that there are too many taxicabs operating in the City of San Diego to serve the current number of customers.

41. These figures are based on the *2009 Taxicab Passenger Survey*.

42. These findings are based on the *2009 Taxicab Passenger Survey*.

The average number of taxicabs that operate at the Airport on a daily basis ( $A$ ) is a variable in the equation, as is the estimated number of taxi trips originating at the San Diego International Airport in a given year ( $T_a$ ). All other things being equal, if the Airport were to increase its draw of taxis, thereby reducing the supply of taxis servicing other areas of the City, it will cause an increase in the trip frequency for city cabs ( $f$ ), a reduction in the number of taxicabs not operating at the Airport ( $N$ ), but presumably also be associated with an increase in the number of taxi trips originating at the San Diego International Airport in a given year ( $T_a$ ). The extent to which these changes will warrant an increase in the total supply of taxicabs in the City will depend on the relative magnitude of the changes in each variable.

**ADVANTAGES/DISADVANTAGES OF THIS APPROACH & NEED TO UPDATE** In this final section of the chapter, we summarize the relative advantages and disadvantages of using the method recommended above for setting the supply of taxicabs in the City of San Diego. We also note the importance of periodically updating the data used to calculate the supply of permits that should be operating in the City, along with a suggested schedule for doing so.

**Advantages** The methodology that is recommended in this chapter for balancing supply with demand in San Diego's taxicab market has a number of advantages over the present method outlined in Policy 500-02. These advantages include:

- Rather than relying on imperfect proxy measures such as population and hotel occupancy to estimate demand, the proposed method measures the *actual* demand for taxicab services as indicated by the number of taxicab trips per vehicle hour. In doing so, it automatically accounts for the forces of population growth, tourism, economic fluctuations, large-scale realignment of military personnel, and competition. In short, it is a much more reliable method for estimating the demand for taxicab services in the City of San Diego.
- Whereas the current method for setting the supply of permits in San Diego does not factor in the financial realities that underpin suppliers (taxicab drivers and permit holders), the proposed method establishes a supply based—in part—on the costs associated with operating a taxicab business. The method explicitly recognizes that there must be enough demand in the market to produce the revenue needed to cover the costs of providing taxicab services for the existing fleet *before* additional supply (permits) should be considered. In doing so, it helps to create a supply of taxicabs that is *balanced* and *sustainable* given the levels of demand in the market, and seeks to ensure at least a minimal standard of living for the average driver.<sup>43</sup>
- The proposed method has a very encouraging level of *relational consistency*. Using the most recent estimates available to populate the equations, the method identified that there is an oversupply of taxis for the levels of demand in the *current* market. One arrives at the same conclusion from a number of different and independent perspectives, including a theoretical analysis of the *existing* policy formula and its likely tendency to overestimate demand, an empirical analysis of demand using independent data collected in the 1999 and 2009 Taxicab Passenger Surveys, a common-sense productivity analysis that identified substantial excess capacity in the system, cost models that identify the levels of demand needed to sus-

43. One of the side benefits of ensuring that there is sufficient demand to sustain the existing supply is it will help to foster greater stability in the supplier pool. When drivers and permit holders are able to make a reasonable return on their investment, they are more likely to continue being drivers and permit holders (rather than seek other employment or sell their permit). This stability creates more experienced drivers, permit holders who are more apt to make long-term business decisions rather than seek short-run profits, and lessens the administrative burdens on MTS associated with high driver turnover and permit transfers.

tain a new lease driver taxicab business, and anecdotal feedback from industry regulators and insiders. Moreover, although the method indicates that the current supply of taxis exceeds the levels of demand in the market, if the demand levels were similar to pre-recession levels the recommended supply of taxicabs in San Diego using the proposed method would be 998—almost exactly the amount of the current supply! In other words, the current supply of taxicabs in the City of San Diego is well aligned to what *would* be recommended if the trip frequency rate were similar to what it has been in the past, prior to the recession.

- Using current input factors, the method recommends a trip frequency rate threshold (1.17 trips per hour) for a balanced market that is within a range that past surveys have indicated correspond to solid levels of customer satisfaction.

**Disadvantages** Although the proposed method is clearly a more reliable approach for creating a sustainable balance between supply and demand in San Diego’s taxicab market, the greater reliability does come with two key disadvantages:

- The proposed method is more complex to administer than the existing policy formula. The existing formula requires just three variable inputs (population growth, changes in hotel occupancy, and total existing taxicab permits). The simplicity of the existing formula makes it easy to administer. The proposed method requires seven variable inputs (and two derived variables), although it should be noted that the mathematics of administering the proposed method are relatively straightforward.
- The proposed method relies on data that must be gathered on a periodic basis. Several of the key parameters must be estimated, including the demand for taxicab services and the average revenue per trip. Because the information needed to estimate the demand for taxicab services is not readily available, MTS will need to collect the information on a periodic basis using survey-based or observational methods (see *Options for Measuring Demand Directly* on page 27).

**Schedule for Updating & Administering the Method** The proposed method relies on current estimates of demand, costs, Airport factors, and fleet size when identifying the appropriate supply of taxicabs. For this reason, all of the parameters used in the method can (and should) be revisited on a periodic basis to ensure that the market remains reliably balanced. This includes factors that enter into the estimate of demand for taxicab services (e.g., trip frequency rates and the Airport’s draw of taxis from the City), as well as those that factor into the minimum number of trips required to sustain a lease driver taxicab business (e.g., start up costs, operational costs, compensation, and average revenue per trip).

Unless there is an obvious and sustained spike in demand for taxicab services—or an apparent substantial change in one of the input factors (e.g., Airport draw of taxis)—that suggests a possible need to increase the supply in an off-year, it is recommended that MTS update the input factors and administer the method every three years. This interval will ensure that the supply remains adequate to meet the demand for taxicab services (especially in a recovering economy), and that the cost models are updated to reflect the current financial realities of providing the services.

As noted previously in this report, MTS will need to collect some of the input factors using survey-based and/or observational methods (see *Options for Measuring Demand Directly* on page 27). For updating the cost models, it is recommended that MTS work with industry representatives on the Taxicab Committee to adjust the cost models, as needed, at the same interval that it gathers updated information on demand for taxicab services.



## PRIOR METHODS OF PERMIT ISSUANCE

The discussions to this point in the report have focused on identifying the appropriate *number* of taxicab permits for San Diego’s evolving taxicab market, as well as refined methodologies for periodically updating this number using the latest available data. Having thus resolved the issue of establishing the appropriate supply of taxicabs in San Diego, at this point we transition to topics related to permit *issuance*. That is, how should new taxicab permits be issued in the future? Are there ways that the permit issuance and transfer processes can be utilized to achieve policy goals set by the City? And are there ways that MTS can monitor compliance with standards set for newly issued/transferred permits in an efficient and cost-effective manner?

Before providing recommendations regarding how best to issue taxicab permits in the *future*, there are lessons to be learned by reviewing the various methods of issuance that have been employed in the recent past. In addition to establishing the number of new permits to be issued (135), in 2001 Council Policy 500-02 mandated that the additional permits were to be issued through several different methods including an RFP for taxicab companies (70 permits), RFP for individual drivers (25 permits), a lottery for individual drivers (30 permits), and a public auction (10 permits). In this chapter we provide an overview of each method of issuance and discuss their relative merits and drawbacks.

**RFP FOR TAXICAB OPERATORS** Of the 135 additional taxicab permits authorized by Council Policy 500-02, a total of 70 were issued to companies in blocks ranging from 5 to 20 permits through a Request for Proposals (RFP) process. To be qualified to participate in this RFP, applicants were required to be “a taxi operator that provides centralized fleet ownership through an individual, partnership, corporation, or association offering access through a central dispatch system and demonstrating an operational management system for cabs”. New operators as well as existing operators were eligible to participate, although individual drivers were not eligible as they were the subject of a separate RFP process (see *RFP for Individual Drivers* on page 46). For the full text of the RFP, see *RFP for Taxicab Operators* on page 65.

The RFP established a series of minimum requirements that applicants had to meet in order to be considered for receiving a block of permits. They must:

- Provide centralized fleet ownership through an individual, partnership, corporation or association.
- Operate a central dispatch system.
- Staff the communication department 24 hours a day.
- Use Global Positioning System (GPS) in 50 percent or more of the fleet.
- Set standards for dispatch response times.
- Accept credit cards for payment of taxi fares.
- Follow a detailed program for handling customer complaints.
- Set minimum age driver qualifications at 21 years of age.
- Require a minimum of 16 hours of driver classroom training for new drivers.
- Meet insurance requirements established by MTDB.

- Submit a letter from an accredited financial institution stating that the proposer has the resources to fund the business plan as proposed within 90 days of permit award.
- Submit three references of clients to whom they have provided taxicab services or comparable services.
- Submit a plan for ongoing monitoring and evaluation of proposers' level of quality of service and accountability.
- Incorporate MTDB's Equal Employment Opportunity Plan in the proposal.

In addition to establishing minimum criteria for eligibility, the RFP also detailed the criteria that would be used by the Evaluation Committee to evaluate the proposals, rank them based on a scoring system, and ultimately select the companies to be awarded permits. The criteria included:

- Experience and qualifications of the proposer, senior officers and managers.
- Operational criteria including reservations and dispatch systems, communications staffing and technology, GPS, credit card acceptance, and relevant policies and practices.
- Driver criteria, including policies and practices for hiring, training, evaluating, and retaining drivers.
- Proposed plan for monitoring, evaluating and holding the proposer accountable for the level and quality of services delivered.
- Facilities available to proposer and their adequacy for accommodating the additional taxicabs.
- Vehicle criteria, including fleet characteristics, maintenance schedules, maintenance personnel, vehicle safety program, insurance, and use of low-emission vehicles.
- Management criteria, including organizational and management plans, ability to secure required financing, implementation plan if awarded new permits, procedures for handling customer complaints, reporting and record keeping systems, response time attainment, and Equal Employment Opportunity Compliance.
- Bonus points were also available to proposers who proposed to provide *additional* wheelchair-accessible taxicab services, and those who could demonstrate that award of new permits to their company would increase competition and/or customer choice in San Diego.

**Merits of Company RFP** The RFP process described above had a number of positive attributes. By establishing minimum criteria that companies must meet in order to be considered for additional permits, and ranking proposers according to a scoring system based on performance criteria, the process was designed to award new permits to those companies that were in the best position to elevate the standard of taxicab service in the San Diego market. Moreover, by making bonus points available for companies that would offer wheelchair-accessible taxicabs and/or increase competition/customer choice in under-served areas of the City, the process provided incentives for companies to commit to these activities/services which are otherwise difficult to justify from a cost-benefit perspective.

The RFP process also established procedures for evaluating proposals based on a neutral evaluation of each proposal's merits by a committee of individuals who—although knowledgeable about the taxicab industry and regulatory aspects—were not affiliated with the taxi industry. By establishing clear criteria for evaluation and a neutral Evaluation Committee, the process was

designed to be a fair and objective way to award new permits to the highest performing proposers.

Finally, although the RFP specified that only companies that met certain standards were eligible to participate in the process, it did not limit the issuance to *existing* companies. Lease-drivers and individual owners could form a new company for the purposes of participating in the RFP and could compete for permits alongside existing companies, which effectively meant that the RFP process was open to all companies and individual drivers in San Diego's taxicab market. In fact, two of the companies that were awarded blocks of permits were new companies formed by individual drivers for the purpose of participating in the Company RFP.

**Downsides of Company RFP** More so than any of the other methods of issuance described later in this chapter, the Company RFP proved to have a number of downsides and limitations. These included:

*Time & Resources*

Perhaps the most obvious problem with the approach was that it was very time and resource intensive to administer, requiring hundreds of hours from staff and consultants to review, screen, evaluate, rank and discuss the more than 50 proposals received. Hundreds of additional hours were then required to respond to formal protests of the selections made. Monitoring compliance with the commitments that winning proposers made requires an additional ongoing commitment of time and effort.

*Subjectivity*

The RFP established minimum standards for eligibility, clear criteria for evaluating each proposal, a scoring system per criteria, and a process for reviewing each proposal with the goal of the Evaluation Committee being as objective as possible in selecting winning proposals. Nevertheless, it was not possible to eliminate all subjectivity from the process as individual reviewers must ultimately use their own experience and interpretations when evaluating the content and merits of each proposal. In speaking with members of the industry who participated in the RFP process, several described the process as "inconsistent", "subjective", and somewhat "arbitrary" in the ultimate selection of the winners. Moreover, there was the perception by some that the subjective nature of the reviews allowed the process to be influenced by factors outside of those that were part of the official criteria for selection.

*Protests*

The subjectivity noted above, in combination with relatively close rankings for certain proposals, led to formal protests. The protests questioned the qualifications of those on the Evaluation Committee, the fairness of how proposals were scored, and involved lengthy hearings/examinations in which members of the Evaluation Committee were cross-examined for hours by attorneys representing proposers who failed to rank high enough to be awarded permits.

*Required Consultant Assistance*

Because of the complexity of the process, the need to establish fair evaluation criteria and processes, and the need to document the evaluation and selection processes in a legally defensible manner, substantial consultant assistance was required. The need to select and contract with consultants lengthened the overall time line for producing the RFP and evaluating proposals, as well as the costs associated with the entire process.

*Monitoring Compliance*

Proposals were evaluated, in part, based on the commitments that a company made to engaging in certain activities (e.g., expanding their fleet of wheelchair-accessible vehicles) and upholding certain levels of service (e.g., dispatch response time standards). Although MTS has the authority to monitor proposers' compliance with the commitments they made in their proposals, it has proven to be a difficult task with existing resources. The simple fact is that monitoring compliance requires a substantial, *ongoing* commitment of time and effort—resources that could be better spent on other value-added tasks.

*No Provision for Criteria Being Maintained for Life-Time of Permit*

Although the RFP provided bonus points to companies that committed to providing wheelchair-accessible vehicles, providing alternative fuel vehicles, operating in under-served areas of the City, etc., there were no provisions in the RFP requiring that these value-added services be maintained for a specified time period. Thus, for example, a company could purchase a wheelchair accessible vehicle to fulfill its proposal commitment, but replace that vehicle at the end of its life cycle with a conventional vehicle that does not have wheelchair access. In this way, the RFP process did not guarantee any *sustained* benefits or increased standards of performance. The result has been that some companies that initially adhered to the commitments made in their proposals failed to continue meeting the higher standards as equipment and vehicles were replaced. During True North's discussions with industry leaders, several openly acknowledged that the Company RFP process largely failed to create any sustained improvements through innovation, technology, or standards of service.

**RFP FOR INDIVIDUAL DRIVERS** Like the company-based RFP process described above, an RFP was also issued for the purpose of awarding 25 permits to individual drivers (see *RFP for Individual Drivers* on page 87 for the full text of the RFP). To be qualified to participate in this RFP, applicants were required to meet each of the following standards:

- Agree to *personally* drive the taxicab a minimum of 175 shifts, and maintain sufficient records that demonstrate their adherence to this requirement.
- Currently hold, in good standing, a San Diego County Sheriff's Department taxicab driver identification card valid in the area of jurisdiction of which San Diego is included.
- Have not received a written admonishment, penalty, or suspension from MTDB or the San Diego County Sheriff's Department in the prior three year period.

- Have no DUI convictions or any other two-point DMV violations in the prior seven year period.
- Not have an “interest” in an existing permit.
- Meet the requirements of MTDB Policy No. 14, Section 14.9.1 which prohibits awards to applicants in which their participation would pose a mutual, potential, or apparent conflict of interest.

In addition to establishing minimum criteria for eligibility, the RFP also detailed the criteria that would be used by the Evaluation Committee to evaluate the proposals, rank them based on a scoring system, and ultimately select the individuals to be awarded permits. In comparison to the Company RFP which had a lengthy list of criteria for evaluating proposals, the individual driver RFP employed a simple evaluation and ranking system. Proposals were scored as follows:

- One (1) point for each year the person was licensed to provide taxicab service in the MTDB San Diego area of jurisdiction.
- Up to three (3) points based on having no DMV moving violations within the past three years.
- Up to one (1) point for qualified letters of recommendation.

The number of cumulative points for each proposal determined its ranking, with ties resolved by use of a lottery. The permits were awarded to the top 25 qualified applicants.

**Merits of Individual Driver RFP** Like the Company RFP, the Individual Driver RFP had a number of desirable attributes. Rather than select drivers on a purely random basis, individuals were selected based on their ability to meet certain performance-based criteria—including experience operating a taxicab in San Diego, history of driving without committing violations, and demonstrated ability to satisfy customers. Thus, like the Company RFP, the Individual Driver RFP was designed to award new permits to those individuals who were in the best position to uphold a high standard of service in San Diego’s taxicab market.

Like the Company RFP, the individual driver RFP process also established procedures for evaluating proposals based on a neutral evaluation of each proposal’s merits by a committee of individuals who—although knowledgeable about the taxicab industry and regulatory aspects—were not affiliated with the taxi industry. By keeping the criteria based on a short list of simple, objective considerations, the Individual Driver RFP also succeeded in removing some of the subjectivity that was inherent in the Company RFP evaluations, which was one of the reasons why there were no protests or protracted hearings once the selections were made.

**Downsides of Individual Driver RFP** Because of the simple, objective nature of the criteria established for evaluating and ranking proposals submitted for the individual driver RFP, there were fewer downsides to this method of issuance when compared to the Company RFP. Nevertheless, there were two notable downsides:

*Selections Not Closely Tied to Performance-Based Criteria*

By assigning points based on years of providing taxicab service, DMV record, and letters of recommendation, the criteria were objective and not open to subjective interpretation. However, the downside was that the overriding criteria in selecting winning proposals was years of service—which is not the strongest of performance measurements. A long-

time driver could provide mediocre customer service but, because of their seniority, be awarded a permit at the expense of a less-tenured driver who provides better customer service.

*Missed Opportunity to Increase Standards*

If the goal is to use the RFP process to award permits to drivers who would provide the highest levels of service in the future, additional criteria could have been utilized to encourage drivers to propose service enhancements in exchange for higher scores—as was the case in the Company RFP. Drivers who committed to using alternative fuel or hybrid vehicles, providing wheelchair-accessible service, or working in underserved areas of the City, for example, could have been awarded additional points in the selection process. To the extent that these additional points outweighed the seniority advantage of some other drivers in the formula-based selection process, it would have resulted in a higher standard of service overall.

**DRIVER LOTTERY** Whereas the RFP method of issuing permits based the selection on a relative ranking of proposers according to how well they met certain criteria, the third method of issuing permits under Council Policy 500-02 was chance-based. A total of 30 permits were issued to drivers through a random drawing (see *Lottery for Drivers* on page 96 for the full text of the solicitation and rules). Although the final selections were based on chance alone, all applicants were required to meet a set of minimum criteria:

- Currently hold, in good standing, a San Diego County Sheriff’s Department taxicab driver identification card valid in the area of jurisdiction of which San Diego is included.
- Not hold a current taxicab permit for operation of a taxicab within the City of San Diego.
- Have a minimum of five years of taxicab driving experience in good standing within the MTDB area of jurisdiction or the City of San Diego.
- Agree to *personally* drive the taxicab a minimum of 175 shifts, and maintain sufficient records that demonstrate their adherence to this requirement.

**Merits of Driver Lottery** In comparison to the Individual Driver RFP method which limited the field of potential drivers that could reasonably expect to be selected, the Driver Lottery was a much more open process. The eligibility requirements for the lottery were quite low—the most substantial of which was that the individual had to have a minimum of five years of taxicab driving experience in good standing within the MTDB area of jurisdiction or the City of San Diego. This meant that more drivers were eligible for the lottery than were eligible for the RFP. Moreover, because it was a chance-based selection, it did not favor certain drivers based on seniority or other factors. Thus, in contrast to the Individual Driver RFP method, a driver with five years of experience had the same opportunity to be awarded a permit as did a driver with 20 years of experience.

Because of its simplicity, the Driver Lottery was also the easiest of the issuance methods to administer. Unlike the RFP methods which required hundreds of hours of review by staff and consultants, the Lottery required minimal resources from staff and consultants—and thus could be accomplished in a much more cost-effective and timely manner.

**Downsides of Driver Lottery** Although a simple and straightforward method of issuing permits, the Driver Lottery did have an obvious downside:

*No Attempt to Increase Standards* By setting a low bar for eligibility and awarding permits based on a random drawing, the lottery made no attempts to use the issuance process as a means to increase (or even maintain) the standard of customer service in the taxicab industry. Unlike the RFP method that used performance-based selection criteria to some degree, there was no advantage given in the lottery to drivers who had a proven record of good performance, or who would be willing to use alternative fuel or hybrid vehicles, provide wheelchair-accessible service, or work in under-served areas of the City. In this way, the lottery method failed to use the issuance process as an opportunity to achieve certain policy and customer-service goals.

**PUBLIC AUCTION** The final method of issuance outlined in Council Policy 500-02 designated 10 permits to be sold at public auction. To be eligible to bid in the auction, participants were required to be a taxi operator that provides centralized fleet ownership through an individual, partnership, corporation, or association offering access through a central dispatch system and demonstrating an operational management system for cabs. The 10 permits would be auctioned individually to the highest bidder, with the only restriction being that the auction could not result in any permit holder having an interest in more than 40% of the total active permits in the city. It was intended that revenue from the auctions would be used for administration and enforcement of taxicab regulations.

The public auction was never held, and the 10 permits to be issued by that method have also not been issued. Although intuitively appealing, the auction raised a number of legal questions and implications:

*Would an auction create vested rights in the permits for purchasers?* Because the auction method would involve the purchase of a permit, some questioned whether the purchase would create a vested right on the part of the purchaser with respect to auctioned permits that does not exist for those awarded through other methods. That is, by *selling* the permits, MTS or the City would not be able to suspend or revoke these permits through regulatory action as they can for other permits.

The legal opinion of the San Diego City Attorney’s Office in 2009 was that the auction of permits would *not* create a property interest in the permits. Citing several legal cases including *Cotta v. City and County of San Francisco*, *Delucchi v. County of Santa Cruz*, *Luxor Cab Co. v. Cahill* and others, the Office concluded that the issuance of taxicab permits by auction (or any other method) does not create a vested property right for the purchaser, nor does it limit the City’s power to regulate the permits to protect the welfare and safety of its citizens.<sup>44</sup> Thus, this potential barrier to using the auction method was overcome.

44.Source: Office of the City Attorney City of San Diego, Memorandum MS 59, May 7, 2009.

*Does MTS or the City of San Diego have the authority to auction off taxicab permits?*

With respect to whether MTS or the City of San Diego has the authority to auction taxicab permits, however, both the City Attorney’s Office and MTS’s general counsel concluded that either the authority does not exist—or it does not exist without special voter approval.

As a transportation district, MTS may issue licenses or permits to regulate the taxicab industry, but it does not have the legal authority to raise revenue. Although the City of San Diego does have the legal authority to raise revenue, because the auction would result in revenue in excess of the cost of administering the permit, the auction would be considered a tax under California law. As such, the City must obtain voter approval for the auction/tax pursuant to California Constitution article XIII C (Proposition 218).<sup>45</sup> The threshold of voter support for approval of the auction method would depend on how the excess funds were used. A supermajority two-thirds support would be required if the funds were dedicated to specific purposes (special tax), whereas a simple majority would be required if the funds were placed in the general fund to be used for general government purposes (general tax).

Based on the legal requirements and restrictions noted above, it appears that the public auction method of issuing permits will not be pursued, and that future direction from City Council is needed as to whether (and how) the remaining 10 permits should be issued.

*Are there additional disadvantages or unintended consequences associated with an auction?*

There are several disadvantages to the auction method, as well as *potential* consequences that could negatively impact the financial stability of the San Diego taxicab market. The most obvious disadvantage of an auction is that it does not establish criteria for selection that would help improve the standards of service in San Diego’s taxicab market. Permits are awarded to the highest bidder, not necessarily the most qualified or the bidder who will provide the best service. A related issue is that by awarding permits to the highest bidder, it effectively reduces the opportunities for lease drivers or others without substantial financial resources to enter the market through the auction method.

The auction method also introduces a number of incentives that could negatively impact the financial stability of San Diego’s taxicab market. An auction is designed to solicit the highest price supported in a market. To finance the expected high cost of a permit the winning bidder may be forced to assume substantial loans. If they were to default on the loan, it will result in the lender assuming control of the permit. Similarly, once an auction price for a permit has been established, it could encourage *existing* permit holders to use their permits as collateral on loans, which in the case of default will also leave the lender in control of the taxicab permit. It is not difficult to envision a scenario in which taxicab permit

45.Source: Office of the City Attorney City of San Diego, Memorandum, April 10, 2009.

market becomes heavily leveraged like the housing market, with many of the same associated risks.

Finally, it should be recognized that if selling taxicab permits at auction becomes a source of revenue for the City and/or MTS, there will exist an incentive for the city to auction more permits than may be needed in order to generate additional revenue during tough economic conditions. Such action would further exacerbate the *oversupply* condition in the current market, thereby further sustainability of the market, drivers' abilities to make a decent living, and ultimately the quality of service for customers.



## HYBRID METHOD OF ISSUANCE

The prior chapter outlined the various methods utilized for issuing taxicab permits during the Transitional Period, and noted their comparative merits and disadvantages. To summarize, the RFP processes were designed to increase the standard of taxicab service by awarding permits to those companies and individuals that were in the best position to elevate the standard of taxicab service in the San Diego market. By their nature, however, RFP processes are somewhat subjective, require lengthy review processes, are subject to protest and litigation, and require continuous monitoring in order to ensure that the winning proposers adhere to the special circumstances of their proposal commitments. And, as constructed, the RFP's ultimately did not provide a mechanism to *guarantee* that the standards or value-added services in bidder's proposals would be sustained in the future upon vehicle replacement and/or the transfer of a permit.

At the other extreme, the lottery-style method awarded permits on a chance basis. Although the lottery allowed drivers an equal probability of being selected, it did little or nothing to maintain or enhance the levels of service in San Diego's taxicab industry, nor did it help the City meet related policy goals.

**PROPOSED HYBRID METHOD** Based on the experiences of the Transitional Period, what is proposed for the future is a Hybrid Method of issuing taxicab permits that combines the strengths of both methods while avoiding some of the key pitfalls. The Hybrid Method sets clear, high, and objective standards for participation, but ultimately awards permits on lottery basis. The main features of the Hybrid Method are described below:

*Set High, Ongoing Standards for Receipt of Permit*

Rather than set minimum standards for participation and then subjectively evaluate and rank proposers based on how far *above* these minimum standards they are willing to go (as done in the Company RFP process), the Hybrid Method establishes a higher set of standards that every participant must meet in order to be eligible for a permit award. For example, rather than awarding bonus points for proposers who are willing to purchase alternative fuel vehicles, the Hybrid Method could make this a requirement for being awarded a permit. Similar standards could be made for providing wheelchair-accessible vehicles, accepting credit cards, operating in underserved areas of the City, technology upgrades such as utilizing electronic trip sheets and GPS, and other standards for providing quality customer service.

By making these *requirements* for receiving a permit rather than optional, MTS and the City could more effectively use the permit issuance process to achieve a higher standard of taxicab service. The process could also be used to help the City meet related policy goals such as reducing greenhouse gas emissions (GHGs) and implementing sustainable communities strategies.

Whatever standards MTS sets as condition of eligibility for receiving a new permit, it will be important to have a legal mechanism in place for requiring that the permit holder continue to adhere to the standards on

an ongoing basis for the life time of the permit, regardless of ownership changes at the company, transfer activity, equipment replacement schedules, or any other factor. If the original or subsequent permit holders fail to uphold the standards set for the permit, MTS must have the authority to revoke and reissue the permit.

*Make the Criteria for Participation Objective*

By setting minimum qualification standards and then evaluating proposals based on how well they performed on various criteria, the Company RFP process required subjective interpretation of proposals. This subjectivity ultimately led to formal protests and time-consuming hearings.

Rather than attempt to score and rank proposers as to the *degree* to which they meet (or exceed) certain performance criteria, the Hybrid Method would set clear criteria for participation that can be objectively evaluated on a pass/fail basis. For example, all proposers could be required to accept credit cards, utilize electronic dispatch, provide wheelchair access in 20% or more of their fleet, etc. These are criteria that can be easily measured and documented on a pass/fail basis prior to permit issuance (and monitored in the future) without subjective interpretation. In this way, the Hybrid Method can achieve an increase in the standards of service in San Diego's taxicab industry while avoiding many of the disadvantages associated with the RFP processes that stemmed from the subjective scoring and ranking of proposals.

*Award Permits Using Lottery*

All proposers who met (or agreed to meet) the standards for participation would be entered into a random lottery. The lottery will require minimal resources from staff and consultants to administer, and thus can be accomplished in a cost-effective and timely manner.

*Put the Burden on the Permit Holder to Document Compliance*

Rather than place the burden and cost on MTS to monitor compliance with the standards of service to which each permit recipient is accountable, permit holders should be required to document their compliance on an annual basis as a condition of renewing their permit. Because the Hybrid Method establishes clear criteria for award that can be objectively evaluated on a pass/fail basis, however, it should be rather straightforward for permit holders and MTS to verify that the criteria are being met.

As described above, the Hybrid Method of issuing permits combines the strengths of the RFP and lottery methods while strategically avoiding some of their respective disadvantages. It is a method that will allow MTS and the City to set a higher standard for the taxicab industry and use the permit issuance process to meet related policy goals, while also being an objective, transparent, cost-effective, and comparatively efficient method for issuing permits.

**TWO TIERS FOR COMPANIES & DRIVERS** Council Policy 500-02 attempts to strike a balance between too much centralization of taxicab permits, and too much decentralization. No single owner can have an interest in more than 40% of the taxicab permits, whereas individual single permit holders collectively can not comprise more than 40% of the market. To maintain

this type of balance, it is recommended that MTS continue to have two tiers for permit issuances—one for companies, and a second for individual drivers. The appropriate number of permits to be issued in each tier will depend on the distribution of permits in the current market between companies and individual permit holders, as this distribution fluctuates depending on permit transfer activity. In general, however, issuing between 60% to 70% of permits to companies and 30% to 40% to individual drivers should allow MTS to adhere to the balanced dictated by Council Policy 500-02, while at the same time not constraining certain types of future transfer activity.<sup>46</sup>

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46.If the percentage of individual permit holders reaches 40%, then a company would not be able to transfer a permit to an individual driver without causing the market to become too decentralized (i.e., exceed 40% individual driver owned permits).



## PERMIT TRANSFERS

In addition to dictating how (and how many) new permits are issued, Council Policy 500-02 also governed the issue of permit transfers. With possible exception due to death or disability, the policy stated that all permits issued during the Transitional Period must remain with their original owners for a period of at least five years before they can be transferred to a new owner. Additionally, permits can not be transferred to any person, company, business, corporation or other entity if such transfer would result in any one permit holder (or individual single-permit holders collectively) having an interest in more than 40% of the existing permits. The purpose behind limiting the transfer of newly issued permits was to inject a certain degree of stability into the taxicab market, and avoid short-term profit-taking by those who were the fortunate recipients of new permits. Without some limit on the transferability of permits, the concern was that many of the individuals and companies who were awarded the new permits would be tempted by the high prices paid for permits to immediately transfer (i.e., sell) them to new owners.

Although Council Policy 500-02 effectively mitigated against *short-term* profit taking, in the end it only delayed the practice. Indeed, profit-taking has occurred on a grand scale in San Diego's taxicab permit market during the past six years. Of the 125 new permits issued during the Transitional Period, 90 have reached the five year limit against transfer. Of these, more than half (46 permits; 51%) have been transferred *at least once*, 41 remain with their original holders, and three have been revoked or are no longer in service. Although individual accounts vary, the price paid for obtaining a San Diego taxicab permit is substantial, and has generally ranged between \$35,000 to \$110,000 in recent years depending on market conditions and the particulars of the transaction.

At least one company also exploited a loophole to effectively transfer newly awarded permits prior the conclusion of the five year restriction period. As a corporation, Yellow Cab was awarded 20 permits through the Company RFP process. After the award of the permits, the Yellow Cab corporation changed ownership, which by extension effectively changed ownership of its assets including the newly awarded taxicab permits. However, because the legal identity of the corporation remained the same, the sale and change of ownership of the corporation did not *technically* qualify as a sale or transfer of the permits.

It's worth noting that neither MTS nor the City of San Diego receive any direct revenue from the "sale" of a taxicab permit. The "sale" of a taxicab permit is a transaction that is not subject to sales tax, according to the State Board of Equalization. The only fees charged for the transaction are by MTS to recover the administrative costs of reviewing and processing the permit transfer. Due to the high number of transfers in recent years, these fees have accounted for approximately one-quarter of the Taxicab Administration's annual budget.

**SHOULD PERMIT TRANSFERS BE ALLOWED?** With the issues described above, some have questioned whether permit transfers should be allowed. After all, taxicab permits are not *owned* by the individual—they are issued by MTS and are a *privilege* that may be granted, altered, withheld, and revoked by MTS.<sup>47</sup> As such, MTS clearly has the legal authority to disallow

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47. Source: Office of the City Attorney City of San Diego, Memorandum MS 59, May 7, 2009.

the transfer of a permit from one owner to another, and instead require that permits be surrendered to MTS and reissued through a process controlled by MTS.

The aforementioned issues notwithstanding, we recommend that permit transfers should be allowed, with some modest limitations. There is no compelling public interest that would be served by disallowing permit transfers. The reasons for allowing transfers to occur, meanwhile, are compelling:

**Encourage Investment** Taxicab owners are more likely to invest in their businesses, their vehicles, and the quality of their service if they have the opportunity to recoup that investment at a later date through the transfer (sale) of their permit to a new owner. Without an opportunity to effectively recoup their investment through transferring a permit, owners will be reluctant to make these types of investments, which will result in a lower standard of service in San Diego's taxicab market.

**Easy Entry & Turnover** For those who are interested in entering San Diego's taxicab market and/or becoming an owner, permit transfers allow them to do so in a timely manner. Transfers are also a means of allowing one generation to exit the industry and make room for a younger generation of owners. If transfers were disallowed, it would greatly restrict the ability of individuals or companies to enter San Diego's taxicab market as the only means of doing so would be through the issuance of new permits. Not only would this create infrequent opportunities to enter the market, it is also an uncertain means of doing so as there is no guarantee of receiving a new permit through any of the issuance processes used (or recommended).

**Avoid Creating Permanent Lease-Driver Class** If existing permit holders are not allowed to transfer their permit to a new owner in return for a profit, they will have every incentive to simply hold on to the permit in perpetuity. Even if they are currently driving a taxicab, upon retiring they will naturally prefer to lease the permit to another driver (and earn revenue) than relinquish the permit to MTS (and receive no revenue). Moreover, using a corporate structure would allow the permit to remain in the control of a single entity indefinitely. Within several decades this practice would create a situation in which nearly all drivers are lease drivers.

**Faster Transition to New Standards** To the extent that MTS and the City wish to implement new standards for San Diego's taxicab industry—such as requiring GPS in vehicles or setting mpg minimums for vehicles—the permit transfer process represents a relatively painless and effective means of transitioning the industry. Even if MTS and the City chose to exempt existing permit holders from some of the new requirements, it could make the new standards mandatory upon the transfer of a permit. Because the volume of transfer activity is reasonably high, using the permit transfer process to implement these types of changes would effectively transition much of the industry over to the new standards in a matter of five to ten years.

By contrast, implementing new standards solely through the new permit issuance process will be a far less effective approach for the simple reason that the industry is already experiencing an overabundance of supply, so it will be some time before the market recovers to the point where new permits are needed (see *Recommended Approach for Balancing Supply & Demand* on page 26). Moreover, at the point they are issued, the new permits will represent only a small portion of the total fleet of taxicabs operating in the City.

Although MTS and the City certainly have the authority to require that all permit holders adhere to new standards when they renew their permit in a particular year (without a permit transfer), that approach would cause hardship for some permit holders due to the substantial expenses associated with meeting the new standards, and would undoubtedly result in coordinated pressure from permit holders to make exceptions, delay the onset of the standards, or otherwise reduce the impact of the new standards. For this reason, a more equitable policy that would likely have broader appeal would be to grandfather in existing individual permit holders (for a limited number of years), with the new standards taking effect immediately for all newly issued permits and transferred permits. For example, MTS could require that all permit holders use GPS by 2015, but require GPS *immediately* if a permit is transferred prior to 2015.

**Consistency with Other Businesses** Finally, it's worth noting that allowing permit holders to transfer their permit to a new owner in the taxicab industry is consistent with how the City treats businesses in other regulated industries. Liquor licenses, for example, are allowed to be transferred from one owner to another without being relinquished back to the City.

**CLOSING THE CORPORATE LOOPHOLE** To the extent that MTS and the City are interested in using the permit transfer process as a vehicle for implementing new standards and policies for the taxicab industry, it will be important to close the corporate loophole described above that allows a corporation to effectively change the ownership of permits without it qualifying as a transfer. Currently, if a corporation is the registered permit holder, so long as the corporate identity remains the same, the corporation can be bought and sold an unlimited number of times without having *technically* transferred ownership of its permits.

In the future, MTS and the City should consider closing this loophole by defining a permit transfer to include the full or partial sale of a company or corporation to new owners.<sup>48</sup> This will place corporations and other types of companies on the same footing as individuals and sole proprietors, and will prevent the use of corporate structures as a means of effectively side-stepping the implementation of new standards that may be triggered by a transfer.

An alternative approach that could accomplish the same objective would be to simply require that corporations adopt the new standards within a certain time frame regardless of transfer activity. In this way, there is no advantage given to corporations in their ability to delay or avoid the implementation of new standards that are linked to the transfer process.

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48. For corporations, a standard could be set that would trigger a 'permit transfer' situation, such as a certain percentage of the shares being sold or transferred to new owners.

ATTACHMENT  
(DRAFT)



CITY OF SAN DIEGO, CALIFORNIA  
**COUNCIL POLICY**

SUBJECT: TAXICAB PERMITS  
POLICY NO.: 500-02  
EFFECTIVE DATE: August 6, 2001

BACKGROUND:

Regulation of taxicab service is in the interest of providing the citizens and visitors to the City of San Diego with a good quality local transportation service. Towards this end, the City finds it desirable to regulate the issuance of taxicab permits.

PURPOSE:

To establish a policy for the issuance of additional taxicab permits, for the purpose of expanding the taxi industry to meet growing demand for taxi service throughout the City, and providing opportunity for both existing and new taxi operators and for experienced drivers.

POLICY:

The City will periodically issue additional taxicab permits based on a formula. The formula will take into account changes in civilian population and visitation.

New permits will be issued on a full cost recovery basis. Three methods of issuance will be used:

1. 50% of new permits are issued using a Request for Proposal (RFP) process, in which qualified persons, companies, businesses, corporations and other entities may submit proposals meeting specified requirements. Proposers will be evaluated based on experienced, financial viability and proposed quality and level of service and other relevant factors.
2. 25% of new permits are issued by lottery to experienced drivers.
3. 25% of new permits are issued by auction to highest bidders.

*[Handwritten Signature]*

NOV 28 2006

(DRAFT)

The process through which permits are issued will limit the concentration of permits. No permits will be issued or transferred to any person, company, business, corporation, or other entity if such issuance or transfer would result in any permit holder having an interest in more than 40% of the existing permits. New permits shall not be transferred for a period of five years after issuance.

No single permit will be issued or transferred to any person, company, business, corporation, or other entity if such issuance or transfer would result in single permit holders in aggregate having interest in more than 40% of the existing permits.

#### IMPLEMENTATION:

Increases in the number of taxicab permits will be based on a formula to be computed annually. This formula will be applied after a transitional period during which 135 additional permits will be issued. Permits issued during the transitional period shall be distributed using RFP, lottery and auction processes. With the issuance of the 135 additional permits, there will be 1,005 outstanding permits. The Implementation Guidelines are attached and incorporated as a part of this Council Policy.

Any permits returned by permit holders will be re-issued in conjunction with issuance of new permits.

#### HISTORY:

“Taxicabs - Certificates of Convenience and Necessity”

Adopted by Resolution R-172292 08/21/1962

Amended by Resolution R-216590 08/11/1976

Amended by Resolution R-217293 12/15/1976

Amended by Resolution R-222474 12/19/1978

Repealed by Resolution R-258090 03/14/1983

“Taxicabs - Permits”

Added by Resolution R-260636 05/07/1984

Amended by Resolution R-261739 10/15/1984

Amended by Resolution R-271307 06/28/1988

Amended by Resolution R-295355 08/06/2001

IMPLEMENTATION GUIDELINES FOR  
COUNCIL POLICY 500-02, "TAXICAB PERMITS"

A. PROCESS FOR ISSUANCE

The following guidelines and procedures should be observed with respect to the issuance of taxicab permits by RFP process, lottery and auction.

1. RFP Process to Taxi Operators.

A point system shall be used in this process, as many may submit proposals, and the City should benefit from the best service provider as determined by the proposers scoring the most points. Minimum point requirements must be attained to qualify.

Process is funded through up-front application fees. A Selection Committee shall be formed to administer this process. The Selection Committee will be comprised of administrators from MTDB and the City. Consultants familiar with the regulatory aspects of the taxicab industry and San Diego may be hired to serve on this committee in an advisory role. The Selection Committee should include other community and business representatives who are not affiliated with the taxi industry and have business management and accounting background. The Selection Committee will issue a RFP and hold a pre-bid conference.

Eligibility:

Taxi operators providing centralized fleet ownership through an individual, a partnership, a corporation, a driver association or a joint venture offering access through a central dispatch system and demonstrating an operational management system for cabs. New operators as well as existing operators will be eligible.

Applicants can apply for multiple blocks, but the Selection Committee may not award more than one block to one applicant, provided that such issuance would not result in any permit holder having an interest in more than 40% of the total active permits.

Proposal Requirements:

Proposals requesting blocks of five or more permits must include a management business plan that addresses all the following:

Experience of the operator/firm

- Must meet current operator requirements in MTDB Ordinance 11.

## Responsible management individual for the operator

- Recent and relevant direct experience managing all aspects of a demand-responsive operation similar in scope and complexity to service proposed.

## Maintenance personnel

- Hours of operation
- Certification of personnel
- Staffing plans

## Reservations and dispatch operations

- General policies and procedures, training, method of receiving customer calls, making reservations (advanced and immediate), dispatching and telephone techniques used to accommodate the trip while ensuring efficient operation of the system in serving passengers
- Communication department staffed 24 hours a day
- Radio frequencies or any alternative communications' means to be used and authorization by licensee and access usage
- Taxi dispatch equipment such as computerized dispatch systems
- Use of GPS in 50% or more of the fleet - minimum
- Dispatch response time standards

## Facilities

- Existing and proposed administrative, maintenance, dispatch, vehicle storage facilities suitable to accommodate a project of this scope and complexity

## Implementation plan

- Comprehensive and detailed plan showing all start-up tasks (e.g., hiring and training personnel, facilities preparation and vehicle preparation). Plan should allow for flexibility and include contingency plans

## System management plan

- Comprehensive and detailed plan showing staffing, equipment commitment, staff responsibilities, management plan and quality control to ensure continued high-quality taxicab services
- Must accept credit cards (safety - cashless system)
- Detailed program for handling complaints
- Record keeping reporting (response time, complaints and other service data)
- Performance standards that proposer will meet and remain in compliance

## Organization chart

## Vehicle requirements and maintenance plan

## Safety inspection compliance

**Safety program**

- Internal safety training and safe driving program, including hiring criteria, new hire training, ongoing training, accident/incident procedures, and wheelchair loading and securing
- Detailed driver training program

**Criteria for hiring/retaining drivers**

- Driver qualification - 21 years of age, qualify for a sheriff's card
- Driver classroom training - 16 hours minimum
- Driver appearance

**Performance surety/insurance/financial viability program**

- Insurance requirements - minimum \$300,000 cab liability
- Letter from a financial institution stating that proposer has the resources to fund business plan as proposed within 90 days

**References**

- Three required

**RFP Evaluation Criteria:**

A key issue in the RFP process is the basis for selecting awardees. The Selection Committee is to exercise its discretion to use and/or modify the RFP proposal requirements set forth, and evaluate proposals using criteria that address qualifications as well as on-going monitoring and evaluation of proposers' level or quality of service and accountability.

Permits issued to taxi operators through the RFP process will be reviewed periodically for compliance with the level and quality of service set forth in each taxi operator's proposal. The methodology for this review will be part of each proposal. Permits of taxi operators not meeting the terms set forth in their proposals will revert to the City for reissuance through the RFP process. Such operators may first be issued a warning and given a defined amount of time to correct deficiencies and no additional permits may be requested via RFP until brought into compliance.

2. **RFP Process to Individual Drivers.**

*Eligibility:* Applicants should be limited to drivers who are not permit holders and current permit.

*Criteria for Selection:*

- 1) Experience
- 2) Driving record

- 3) Additional factors, such as experience of driving in San Diego and letters of recommendations

The Selection Committee is to exercise its discretion as to reviewing and developing a selection criteria and assigning points to proposals.

*Accountability:* Current taxicab regulations.

3. Lottery to Individual Drivers

*Eligibility:* Drivers are eligible if they are not permit holders and have at least five years of experience driving a taxicab in San Diego.

Entrants will only be able to win a single permit award through lottery. Permit holders shall be required to drive the cab a minimum of 175 shifts per year and may lease the cab for the remaining shifts.

4. Auction

*Eligibility:* Taxi operators providing centralized ownership, dispatch and management of cabs will be eligible to submit bids.

*Procedure:* Permits will be auctioned individually to the highest bidder.

There should be no limit as to how many permits one person/entity can win, provided that such issuance would not result in any permit holder having an interest in more than 40% of the total active permits. Revenue from the auctions shall be used for administration and enforcement of taxicab regulations' purposes. MTDB working with the City shall identify alternative funding sources should auction revenues cease to meet staffing and regulatory needs.

B. FORMULA

The formula will be computed as follows:

$$\frac{(\% \text{ growth in population})}{2} + \frac{(\% \text{ growth in hotel room nights occupied})}{2} \times (\text{Current number of permits})$$

All changes are calculated on two year rolling average.  
Issue additional permits when the formula yields an increase of a least 40 additional permits.

C. TRANSITIONAL PERIOD

*Round 1 - Summer/Fall 2001*

Immediately issue 75 permits as follows:

- 50 permits through RFP process in blocks of 20, 20, 5, 5
- 10 permits through RFP process to individuals
- 15 permits by lottery to individual drivers

*Round 2 - Fall 2002*

Issue 60 permits as follows:

- 20 permits through RFP process to operators in blocks of 10, 5, 5
- 15 permits through RFP process to individuals
- 15 permits by lottery to individual drivers
- 10 permits by auction

*Summer of 2003*

Review of the process, the monitoring system and report by MTDB.

*Fall of 2003*

Permits issued on the basis of the formula.

D. TRANSFERABILITY

Transferability of new permits shall be as follows:

- Permits issued by RFP (blocks and individuals) are transferable after five years
- Permits issued by lottery are transferable after five years
- Permits issued by auction are transferable after five years.

# RFP FOR TAXICAB OPERATORS

## 2003 COMPANY RFP

**MTDB**  
Metropolitan Transit Development Board



1255 Imperial Avenue, Suite 1000  
San Diego, CA 92101-7490  
(619) 231-1466  
FAX (619) 234-3407

January 8, 2003

TAXI 500, 590.10  
AG 250.1 (PC 30110)

*Filter  
RFP  
Company*

3C

Dear Prospective Proposer:

Subject: REQUEST FOR PROPOSALS TO PARTICIPATE IN THE ISSUANCE OF 50 ADDITIONAL TAXICAB PERMITS

The San Diego Metropolitan Transit Development Board (MTDB) is interested in receiving proposals from qualified firms interested in participating in the issuance of 50 additional taxicab permits. These permits, if issued, will be given out in two blocks of 20 and two blocks of 5 each.

This letter, together with its attachments, comprises the Request for Proposals (RFP) for the services. Responses to this RFP should be submitted in accordance with the instructions stated herein.

### I. INTRODUCTION

#### Proposals Requested

MTDB is issuing this RFP for the selection of four taxicab operators to provide taxicab service in the City of San Diego. A total of 50 additional taxicab permits will be issued through this RFP process in four blocks: two blocks of 20 each and two blocks of 5 each. Both existing and new taxi operators are eligible to submit proposals, as detailed below.

Permits will not be issued to any applicant where such issuance would result in any permit holder having an interest in more than 40 percent of the total active permits. With issuance of these 50 additional permits, there will be a total of 935 active permits issued (including limited permits and the 15 previously issued by lottery); 40 percent of this number is 374.

Taxi operators who are awarded permits under this RFP must then complete the standard taxicab permit application process, as per MTDB Ordinance No. 11.

#### Proposal Due Date

One (1) original plus ten (10) copies of the proposal must be received by MTDB no later than 4:00 p.m. on February 20, 2003. All proposals shall be delivered to MTDB Taxicab Administration at 1501 National Avenue, Suite 100, San Diego, CA 92113-1029, attention: John Scott. Proposals arriving later than 4:00 p.m., or at a different location, will not be considered. Proposals must be submitted in a sealed envelope, and the envelope shall be marked "Proposal for Taxicab RFP."

Member Agencies:  
City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, County of San Diego, State of California

Metropolitan Transit Development Board is Coordinator of the Metropolitan Transit System and the Taxicab Administration  
Subsidiary Corporations: San Diego Transit Corporation, San Diego Trolley, Inc., and San Diego & Arizona Eastern Railway Company

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January 8, 2003  
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#### Award of Permits

MTDB intends to award additional taxicab permits to four proposers who best meet the requirements as specified in this RFP. Evaluations and determinations of responsibility and qualifications shall be based upon the information furnished by the proposers in response to this RFP, as well as from other sources determined at the sole discretion of MTDB. MTDB reserves the right to reject all proposals at its sole discretion and to award fewer than four blocks of permits.

By submitting this proposal, the proposer authorizes MTDB to perform all investigations necessary to determine suitability. All information submitted in response to this RFP shall be deemed as public records except to the extent that the proposer expressly marks information as a trade secret or as proprietary information, in which event MTDB shall preserve the confidentiality of such information to the extent permitted by law.

#### Term of Permits

Taxicab permits issued as a result of this RFP shall be renewable annually provided that the permittee meets all requirements of Ordinance No. 11 and provides the level and quality of service specified in its proposal. Taxicab permits issued as a result of this RFP shall not be transferable until five (5) years after their initial issuance in this RFP process.

#### Definition of Proposer

"Proposer" means the person, company, corporation, partnership, association, or entity submitting a proposal to operate taxicabs in the City of San Diego in response to this RFP. The proposer will assume the responsibility for making sure all required documents are factually accurate, fully complete, and submitted with the timely proposal.

#### Minimum Qualifications of Proposers

All proposers must present evidence that they are fully competent to meet the requirements of this RFP and perform as specified in their proposal. Qualifications shall be evaluated by the Evaluation Committee on the basis of the proposer's written submissions and such investigations and findings as may be made by the Evaluation Committee.

## II. PROPOSAL PROCEDURE

#### Proposal Requirements

Proposers must submit one (1) original and ten (10) copies of their proposal.

No proposal by telephone or fax or modifications to a proposal by said means will be considered. No proposal will be considered which is received after the time fixed in this RFP or

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January 8, 2003  
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which is incomplete. Any such late or incomplete proposal will not be considered. A proposer may withdraw its proposal, provided its request is in writing and is received by MTDB prior to the time set for receipt of proposals. After proposals have been opened, no proposer may withdraw its proposal, except with the consent of MTDB.

#### Contents Of Complete Written Proposal

Each application shall contain the following information. Please label each section in your proposal with the paragraph letter and number to which it is responding, and provide tabs for each section.

#### Section I. Proposer Information

1. The name and address of the applicant.
2. The name, address, and telephone number of the person submitting the application, and the name, address and telephone number of the person who may be contacted regarding this application.
3. Whether the business is a corporation, and if so, the date of incorporation and the state where incorporated. Corporate applicants shall submit a copy of their Articles of Incorporation and Bylaws along with a list of the names of the officers of the corporation.
4. The current number of permits held by proposer, and number that would be held should proposer receive a block of permits.
5. References (3 minimum) of clients to whom you provide or have provided taxicab services or comparable services.

#### Section II. Management Business Plan

See Evaluation Criteria in Section IV below. Label each section, e.g., the first section should be labeled "1. Experience" followed by "A. Experience and Qualifications of the Proposer," "B. Experience of Senior Officers and Managers," etc.

#### Preproposal Conference

A preproposal conference will be held on January 22, 2003, at 9:00 a.m. at 1255 Imperial Avenue, Suite 1000, San Diego, CA 92101-7490. Proposers are strongly encouraged to attend this preproposal meeting since it is an opportunity to ask questions and receive clarification on issues.

These dates are subject to change at the discretion of MTDB.

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#### Schedule

The calendar of events leading from issuance of the RFP to award of contract is anticipated to generally follow the schedule shown below.

<u>Calendar</u>	<u>Event</u>
January 8, 2003	MTDB issues RFP
January 22, 2003	Preproposal Conference
February 20, 2003	Proposals due to MTDB
February 23-March 7, 2003	Evaluation of Proposals and Site Visits
March 14, 2003	Successful Proposers Announced
March 17-21, 2003	Protest Period

It is MTDB's intent to follow this schedule. However, the dates are subject to change at the sole discretion of MTDB.

Fax any questions to 619.595.3083, attention John Scott, by 5:00 p.m. January 24, 2003. Any issues that require clarification, raised either through written questions or at the preproposal conference, will be addressed in an addendum. Preproposal meeting minutes with questions and answers as well as any addendum, if needed, will be sent to all proposal recipients via certified receipt.

#### Application Fee

Successful proposers for the City of San Diego taxi permits will be required to pay a processing fee of \$3,000 for the first permit and \$300 for each additional permit on the same application. This fee must be paid by cashier's check or money order at the time the application is filed. In addition, successful proposers must pay a per vehicle regulatory fee at the time the permits are issued. This fee is assessed based on the current year's annual regulatory fee and the awardee's number of years experience as an MTDB/City permit holder.

Fees must be paid by check or money order payable to MTDB. No cash will be accepted.

#### Proposer Site Visit

The Evaluation Committee may conduct site visits for proposers with existing facilities. You will be notified of the time of any such visit. Sites may include dispatch facilities, maintenance facilities, and general office facilities. Formal interviews of proposers will not be conducted.

#### Overview Of RFP Process

A total of 50 additional taxicab permits will be issued through this RFP process in four blocks: two blocks of twenty (20) each and two blocks of five (5) each. Applicants can apply for multiple blocks but will not be awarded more than one block. Thus, an applicant applying for both one

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block of 20 permits and one block of 5 permits will be awarded either the block of 20 permits, or the block of 5 permits, or no permits.

Permits will not be issued to any applicant where such issuance would result in any permit holder having an interest in more than 40 percent of the total active permits. Entities "having an interest" in a permit includes the permit holder and entities with a financial interest in the permit holder such as stockholders of a corporation. With issuance of these 50 additional permits, there will be a total of 935 active permits issued (including the 50 permits to be issued under this RFP and the 15 previously issued by lottery); 40 percent of this number is 374.

Applicants must be a taxi operator that provides centralized fleet ownership through an individual, partnership, corporation, or association offering access through a central dispatch system and demonstrating an operational management system for cabs. New operators as well as existing operators are eligible to apply for permits issued through this RFP. (A separate RFP will be issued at a future date for issuance of permits to individual drivers; eligibility will be limited to taxi drivers who are not permit holders.)

Proposals must include information about the proposer and a management business plan that meets the requirements set forth below. Proposals must also include a plan for ongoing monitoring and evaluation of proposers' level and quality of service and accountability, as described below.

Consistent with MTDB Policy No. 14, Section 14.9.1, proposers shall not be eligible for award of a contract in which their participation would pose a mutual, potential, or apparent conflict of interest.

Proposals will be reviewed by an Evaluation Committee composed of MTDB and City staff and other community and business representatives who are not affiliated with the taxi industry. The Evaluation Committee may be assisted by consultants who are familiar with the regulatory aspects of the taxicab industry and San Diego and who will serve in an advisory role to the Evaluation Committee.

MTDB is issuing this RFP and will hold a preproposal conference at the date and time specified above. The Evaluation Committee will review all proposals and rate each proposal using objective selection criteria. Based on this review, the Evaluation Committee will recommend award of the four blocks of permits to the four highest-ranking qualified taxicab operators. The Evaluation Committee will recommend to the General Manager which proposers should be awarded blocks of 20 permits and which proposers should be awarded blocks of 5 permits. MTDB reserves the right to issue fewer than four blocks of permits and to issue no permits at all.

Once final action is taken on the award, successful proposers must submit permit applications to MTDB as required under MTDB Ordinance No. 11. Successful proposers must submit such application within 60 business days of notification of the award. If no application is made, or if proposers do not qualify under MTDB Ordinance No. 11, the affected permits will revert to the pool to be issued in the next RFP Process for taxicab operators.

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Permits issued under this RFP will be transferable after five (5) years, under provisions of MTDB Ordinance No. 11.

Permits issued to taxi operators through the RFP process will be reviewed periodically by MTDB for compliance with the level and quality of service set forth in each taxi operator's proposal. The methodology for this review must be included in your proposal. Permits of taxi operators not meeting the terms set forth in their proposals will revert to the City for reissuance through the RFP process. Such operators may first be issued a warning and given a defined amount of time to correct deficiencies. No additional permits may be requested via RFP until the level and quality of service are brought into compliance.

The process for permit issuance is funded through application fees (see above).

#### Protest Procedure

##### *Protests Received Prior To Proposal Due Date*

Following the issuance of this RFP, and prior to the due date, a protest may be filed with MTDB. Protests must be in writing and received by MTDB not less than five (5) full working days before the proposal due date. MTDB will notify all proposers that a protest has been filed, and the due date will be postponed until the protest has been reviewed and acted upon by MTDB.

##### *Protests Received After Proposal Due Date*

MTDB will evaluate all proposals and determine the best-qualified proposers. A notice of selected proposers will be mailed to all proposers. Any protest to the notice must be in writing and received by MTDB within five (5) full working days from the postmark date of the notice.

##### *Protest Contents*

The protestor must demonstrate or establish a clear violation of a specific law or regulation, e.g., a violation of the prohibition against restrictive specifications. The protest must contain a statement of the grounds for protest and all supporting documentation. MTDB may, but is not obligated to, request additional information concerning the grounds for protest.

##### *Reply To Protests*

The MTDB Protest Committee will review all protests as soon as possible. All material submitted by the protestor will be considered. Such material will not be withheld from any interested party outside the MTDB, or any agency that may be involved with the procurement, except to the extent that the withholding of information is permitted or required by law or regulation. If the protestor considers that the protest contains proprietary material that should be withheld, a statement advising of this fact may be affixed to the front page of the protest

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document, and alleged proprietary information shall be so identified wherever it appears. MTDB will respond with its determination in writing within ten (10) working days.

#### *Request For Protest Reconsideration*

Upon receipt of an adverse decision by MTDB, the protestor may file a request for protest reconsideration, which must be directed to the General Manager in writing and received within five (5) full working days from the postmark date of the reply from MTDB. The decision of the General Manager will be in writing and will be final. No further protests will be heard by MTDB.

### III. PROPOSAL REQUIREMENTS

Proposers must meet the following requirements to be considered for a block of permits. The management business plan submitted with the proposal must address each of the following requirements under the appropriate Evaluation Criteria as indicated in Section IV below.

1. Provide centralized fleet ownership through an individual, a partnership, a corporation, or an association.
2. Operate a central dispatch system.
3. Staff the communication department 24 hours a day.
4. Use Global Positioning System (GPS) in 50 percent or more of the fleet – minimum.
5. Set standards for dispatch response times.
6. Accept credit cards for payment of taxi fares.
7. Follow a detailed program for handling customer complaints.
8. Set minimum age driver qualification at 21 years of age.
9. Require minimum of 16 hours of driver classroom training for new drivers.
10. Meet MTDB insurance requirements required in MTDB Ordinance No. 11.
11. Submit a letter from an accredited financial institution stating that proposer has the resources to fund the business plan as proposed within 90 days of permit award.
12. Submit three references of clients to whom you provide or have provided taxicab services or comparable services.
13. Submit a plan for ongoing monitoring and evaluation of proposers' level or quality of service and accountability.

- 14. MTDB's Equal Employment Opportunity Plan must be incorporated by reference into the proposal. See MTDB Policy No. 26.

IV. EVALUATION CRITERIA

Provided that each application is complete and contains required documentation, the Evaluation Committee will evaluate proposals on a 100-point scale according to the following criteria. In addition, bonus points may be awarded for proposers who will provide wheelchair-accessible service and for proposers who demonstrate that award of permits to them will increase competition and/or customer choice in San Diego.

All information that the proposer wishes to have considered by the Evaluation Committee should be stated in your submission.

1. **Experience** ..... 20 points

Experience and Qualifications of Proposer. Describe the experience and qualifications of the proposer in operating taxicabs and/or other demand-responsive operations such as shuttles, limousines, or paratransit services. Indicate the number of years of total taxicab and related experience, number of years of experience in San Diego, the maximum and average number of taxis operated during this period, and any prior names under which the proposer did business. Include accomplishments of particular note of the proposer that reflect your ability to fulfill your proposed management plan and meet your proposed service standards.

Experience and Qualifications of Senior Officers and Managers. Describe the recent and relevant direct experience of senior officers and managers in managing all aspects of a demand-responsive operation similar in scope and complexity to the service proposed. Include the experience and qualifications of the senior officers and managers of the proposer. Include resumes. Include accomplishments of particular note of senior officers and managers that affect the proposers' ability to fulfill your proposed management plan and meet your proposed service standards.

2. **Operations** ..... 20 points

Reservations and Dispatch. Describe reservations and dispatch operations. Include general policies and procedures, training, method of receiving customer calls, making reservations (advanced and immediate), dispatching, and telephone techniques used to accommodate the trip while ensuring efficient operation of the system in serving passengers.

Communications Staffing. Describe staffing levels for the communication department (must be staffed 24 hours a day).

Communications Technology. Describe radio frequencies or any alternative communications means to be used for dispatch and authorization by licensee and access usage.

Dispatch System. Describe taxicab dispatch equipment such as computerized dispatch systems. Include details on system being used or to be used, including system manuals and sample data printouts. Include manual or other documentation of dispatch procedures including information obtained from customer (name, customer phone number, location, etc.) and procedure for handling situations that may arise such as extended response times, no-show cabs, etc. Include how the dispatch system will track all trips including no-shows and non-dispatched trips. Include how you will determine whether a no-show was a customer no-show or driver no-show.

GPS. Describe the use of the GPS (minimum 50 percent of the fleet.) Include the number of taxicabs that will use the GPS and the system interface with the dispatch system. Include specifications for equipment to be used (type and capability of GPS system) and operational procedures to maximize benefit of GPS in dispatch process. Specify whether GPS will be used to dispatch closest cab or first in line in zone, or other algorithm that will be used. Specify how frequently dispatch system will poll GPS receiver for location and if not automatic, in what situations.

Dispatch Response Time Standards. Describe proposed dispatch response time standards. Dispatch response time standards should include percentage of prearranged calls picked up within a certain number of minutes for calls for immediate service and (separately) for advance reservation calls. Standards should also specify the maximum percentage of trips not picked up. *Example:* At least 80 percent of calls for immediate service picked up within 15 minutes of the call; 90 percent of advance reservation calls picked up within 5 minutes of requested time; no more than 0.5 percent of callers not picked up. (These numbers are for example purposes only. Each proposer is to propose dispatch response time standards that it will meet.)

Credit Card Acceptance. Describe capabilities to accept credit cards from customers. Include method of credit card payment, equipment to be used, and policy for verifying credit card numbers.

3. **Drivers..... 15 points**

Drivers. Provide criteria for hiring/retaining drivers, including driver qualifications (must be 21 years of age and qualify for a sheriff's driver's identification card), driver classroom training (16 hours minimum), and driver appearance. Include details on training program for new drivers and training to maintaining the skills of existing drivers. Describe how training addresses MTDB regulations; geography, including map reading; major points of interest in San Diego; driver safety and defensive driving; vehicle safety and maintenance/inspection checks; customer service and relations; sensitivity guidelines for the disabled, frail, and elderly passengers; behind the wheel driver training; and (for drivers of accessible vehicles) wheelchair accessible vehicle operation training.

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**4. Monitoring and Evaluation..... 15 points**

Monitoring And Evaluation. Provide a plan for ongoing monitoring and evaluation of proposers' level or quality of service and accountability. Proposals should include detailed monitoring and evaluation methods, including data the applicant will provide for purpose of review, method of assuring the accuracy and integrity of the data and proposed frequency of review (e.g., annual, biannual, semiannual).

**5. Facilities..... 10 points**

Facilities. Describe existing and proposed administrative, maintenance, dispatch, and vehicle storage facilities suitable to accommodate a project of this scope and complexity. Include address of each facility, interior and exterior square footage, number of vehicle maintenance bays and lifts, vehicle maintenance equipment, and number of call-taker and dispatcher stations.

**6. Vehicles..... 10 points**

Vehicles and Maintenance. Describe vehicle requirements and maintenance plan. Include number of vehicles by make and model year, maintenance tasks and intervals, and maintenance tracking procedures.

Personnel. Describe maintenance personnel to be used, hours of operation, certification of personnel and staffing plans, and hiring and training of maintenance personnel.

Safety Compliance. Document the proposer's compliance with safety inspection requirements. Include vehicle inspection results in the past year, number of accidents, number of injury accidents, and number of accidents involving a fatality. Provide your vehicle safety program and provide information on wheelchair loading and securement procedures if using wheelchair accessible vehicles.

Insurance. Provide proof of performance surety/financial viability/insurance program.

Low-Emission Vehicles. Describe the use of low emission, very low emission and zero emission vehicles.

**7. Management ..... 10 points**

Organization Chart. Provide organization chart.

Start-Up Financing. Within 90 days of permit award, provide a letter from a financial institution stating that proposer has the resources to fund the business plan as proposed.

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Implementation Plan. Provide comprehensive and detailed implementation plan showing all start-up tasks (e.g., hiring and training personnel, facilities preparation, and vehicle preparation). Plan should allow for flexibility and include contingency plans.

System Management Program. Provide comprehensive and detailed system management program showing staffing, equipment commitment, staff responsibilities, management plan, and quality control to ensure continued high-quality taxicab services.

Complaint Handling. Provide detailed program for handling complaints. Include method of logging complaints received, date and time of complaint, response, date and time of response, results of investigation, action taken, and any written communication. Include policy on responding to complaints in writing and timing of response.

Reporting. Describe record keeping and reporting for response times, complaints, and other service data.

Response Time Attainment. Describe how you will meet and remain in compliance with proposed dispatch response time standards.

Equal Employment Opportunity (EEO) Compliance. Describe how you will comply with MTDB Policy No. 26 concerning the EEO Program.

**8. Wheelchair Accessible Service .....Up to 10 Bonus Points**

Wheelchair-accessible taxicab service is not required; however, bonus points may be awarded for provision of such service. If you propose wheelchair-accessible service, describe the type of vehicles to be used including whether ramp- or lift-equipped, minivan or full van sizes; vehicle maintenance procedures; vehicle replacement cycle; accessible vehicle operations training for drivers; response time standards for customers needing accessible vehicles; and dispatch and management procedures to be followed to ensure achievement of your response time standard.

Also describe the number of accessible vehicles to be put into service initially. Specify the types of permits you will be using and the number of each (i.e., number of wheelchair accessible cabs that will use existing permits, number using permits issued under this RFP, number from MTDB demonstration program). This number of accessible vehicles may be adjusted up or down but you must meet the response time standards specified in your proposal for customers needing accessible vehicles. (Note that such adjustments will not change your number of existing permits or number of permits issued under this RFP.)

**9. Impact on Competition and Customer Choice .....Up to 5 Bonus Points**

Bonus points may be awarded to proposers who demonstrate that award of permits to them will increase competition and/or customer choice in San Diego.

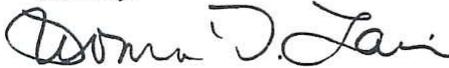
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Describe how award of permits to you or your company, corporation, partnership, association, cooperative or other entity will affect competition within the taxicab industry in San Diego and customer choice of taxi operators, taxi fares and taxi service quality available to taxicab customers in San Diego. Include a description of any particular customer groups that will particularly benefit from additional competition and customer choice if you are awarded a block of permits.

MTDB POINT OF CONTACT

John Scott, is the sole point of contact for this solicitation. Any questions should be submitted, in writing, to John Scott. Proposers are directed not to contact other MTDB staff or Board members in conjunction with this Request. Noncompliance with this requirement may result in your firm's proposal being considered nonresponsive.

Sincerely,



Thomas F. Larwin  
General Manager

PSmith/TAXICAB/RFP  
RFP-PERMITS.JSCOTT  
12/11/02



570.11  
4D

1255 Imperial Avenue, Suite 1000  
San Diego, CA 92101-7490  
(619) 231-1466 • FAX (619) 234-3407

*2nd  
Company RFP*

September 11, 2006

TAXI 500, 590.10  
AG 250.1 (PC 50761)

Dear Prospective Proposer:

Subject: REQUEST FOR PROPOSALS TO PARTICIPATE IN THE ISSUANCE OF 20 ADDITIONAL TAXICAB PERMITS

The San Diego Metropolitan Transit System (MTS) is interested in receiving proposals from qualified firms interested in participating in the issuance of 20 additional taxicab permits. These permits, if issued, will distributed in one block of 10 and two blocks of 5.

This letter, together with its attachments, comprises the Request for Proposals (RFP) for the services. Responses to this RFP should be submitted in accordance with the instructions stated herein.

I. INTRODUCTION

Proposals Requested

MTS is issuing this RFP for the selection of three taxicab operators to provide taxicab service in the City of San Diego. A total of 20 additional taxicab permits will be issued through this RFP process in three blocks: one block of 10 and two blocks of 5 each. Both existing and new taxicab operators are eligible to submit proposals, as detailed below.

Permits will not be issued to any Proposer where such issuance would result in any permit holder having an interest in more than 40 percent of the total active permits. With issuance of these 20 additional permits, there will be a total of 981 active permits issued; 40 percent of this number is 392.

Taxicab operators who are awarded permits under this RFP must then complete the standard taxicab permit application process, as per MTDB Ordinance No. 11.

MTS Point of Contact

John Scott is the sole point of contact for this solicitation. Any questions should be submitted, in writing, to John Scott, or via e-mail at [john.scott@sdmts.com](mailto:john.scott@sdmts.com). Proposers are directed not to contact other MTS staff or Board members in conjunction with this RFP. Noncompliance with this requirement may result in the firm's proposal being considered unresponsive.

Proposal Due Date

One (1) original plus ten (10) copies of the proposal must be received by MTS no later than 4:00 p.m. on October 26, 2006. All proposals shall be delivered to MTS Taxicab Administration at 1501 National Avenue, Suite 100, San Diego, CA 92113-1029, attention John Scott. Proposals arriving later than 4:00 p.m., or at a different location will not be considered.

Metropolitan Transit System (MTS) is comprised of the Metropolitan Transit Development Board (MTDB), a California public agency, San Diego Transit Corp., and San Diego Trolley, Inc. in cooperation with Chula Vista Transit and National City Transit. MTS is the taxicab administrator for eight cities. MTDB is owner of the San Diego and Arizona Eastern Railways. MTDB member agencies include: City of Chula Vista, City of Coronado, City of El Caimo, City of Imperial Valley, City of Mission Viejo, City of San Diego, City of San Marcos, City of Vista.

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Proposals must be submitted in a sealed envelope, and the envelope shall be marked "Proposal for Taxicab RFP."

#### Calendar of Events

The calendar of events leading from issuance of the RFP to award of contract is anticipated to generally follow the schedule shown below:

<u>Calendar</u>	<u>Event</u>
September 11, 2006	MTS Issues RFP
September 26, 2006, 9:30 a.m.	Pre-proposal Conference
October 26, 2006	Proposals Due to MTS
November 13 to November 17, 2006	Evaluation of Proposals and Site Visits
November 21, 2006	Successful Proposers Announced
November 27 – December 1, 2006	Protest Period

It is MTS's intent to follow this schedule. However, the dates/times are subject to change at the sole discretion of MTS.

Fax any questions to 619.595.3083, attention John Scott, or via e-mail to [john.scott@sdmts.com](mailto:john.scott@sdmts.com) by 5:00 p.m. September 28, 2006. Any issues that require clarification, raised either through written questions or at the pre-proposal conference, will be addressed in an addendum. Pre-proposal meeting minutes with questions and answers, as well as any addendum, if needed, will be sent to all proposal recipients via certified returned receipt.

#### Award of Permits

MTS intends to award additional taxicab permits to three Proposers who best meet the requirements as specified in this RFP. Evaluations and determinations of responsibility and qualifications shall be based upon the information furnished by the Proposers in response to this RFP, as well as from other sources determined at the sole discretion of MTS. MTS reserves the right to reject all proposals at its sole discretion and to award fewer than three blocks of permits.

By submitting this proposal, the Proposer authorizes MTS to perform all investigations necessary to determine suitability. All information submitted in response to this RFP shall be / public record except to the extent that the Proposer expressly marks information as a trade secret or as proprietary information, in which event MTS shall preserve the confidentiality of such information to the extent permitted by law.

#### Term of Permits

Taxicab permits issued as a result of this RFP shall be renewable annually provided that the permittee meets all requirements of MTDB Ordinance No. 11 and provides the level and quality of service specified in its proposal. Taxicab permits issued as a result of this RFP shall not be transferable until five (5) years after their initial issuance in this RFP process.

#### Definition of Proposer

"Proposer" means the person, company, corporation, partnership, association, or entity submitting a proposal to operate taxicabs in the City of San Diego in response to this RFP. The Proposer will assume the responsibility for making sure all required documents are factually accurate, fully complete, and submitted with the timely proposal.

Taxicab Permit RFP  
September 11, 2006  
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Minimum Qualifications of Proposers

All Proposers must present evidence that they are fully competent to meet the requirements of this RFP and perform as specified in their proposal. Qualifications shall be evaluated by the Evaluation Committee on the basis of the Proposer's written submissions and such investigations and findings as may be made by the Evaluation Committee.

II. PROPOSAL PROCEDURE

Proposal Requirements

Proposers must submit one (1) original and ten (10) copies of their proposal.

No proposal by telephone or fax, or modifications to a proposal by said means, will be considered. No proposal will be considered which is received after the time fixed in this RFP or which is incomplete. Any such late or incomplete proposal will not be considered. A Proposer may withdraw its proposal, provided its request is in writing and is received by MTS prior to the time set for receipt of proposals. After proposals have been opened, no Proposer may withdraw its proposal, except with the consent of MTS.

Contents of Complete Written Proposal

Label each page and section in the proposal with the paragraph letter and number to which it is responding, and provide tabs for each section. Each application shall contain the following information:

Section I. Proposer Information

1. The name and address of the Proposer.
2. The name, address, and telephone number of the person submitting the proposal, and the name, address and telephone number of the person who may be contacted regarding this proposal.
3. Whether the business is a corporation, and if so, the date of incorporation and the state where incorporated. Corporate Proposers shall submit a copy of their Articles of Incorporation and Bylaws along with a list of the names of the corporate officers and stockholders of the corporation.
4. The current number of permits held by Proposer, and the number that would be held should Proposer receive a block of permits.
5. References (3 minimum) of clients to whom Proposer provides, or has provided, taxicab services or comparable services.

Section II. Management Business Plan

See Evaluation Criteria in Section IV below. Label each section, e.g., the first section should be labeled, "1. Experience" followed by "A. Experience and Qualifications of the Proposer," "B. Experience of Senior Officers and Managers", etc.

#### Pre-proposal Conference

A pre-proposal conference will be held on September 26, 2006, at 9:30 a.m. at 1255 Imperial Avenue, Suite 1000, San Diego, CA 92101-7490. Proposers are strongly encouraged to attend this pre-proposal meeting, since it is an opportunity to ask questions and receive clarification on issues.

These dates are subject to change at the discretion of MTS.

#### Application Fee

Successful Proposers for the City of San Diego taxicab permits will be required to pay a processing fee of \$3,000 for the first permit and \$300 for each additional permit on the same application. This fee must be paid by cashier's check or money order at the time the application is filed. In addition, successful Proposers must pay a per vehicle regulatory fee at the time the permits are issued. This fee is assessed based on the current year's annual regulatory fee and the successful Proposer(s)'s number of years of experience as an MTS/City permit holder.

Fees must be paid by check or money order payable to MTS. No cash will be accepted.

#### Proposer Site Visit

The Evaluation Committee may conduct site visits for Proposers with existing facilities. Proposer will be notified of the time of any such visit. Sites may include dispatch facilities, maintenance facilities, and general office facilities. Formal interviews of Proposers will not be conducted.

#### Overview of RFP Process

A total of 20 additional taxicab permits will be issued through this RFP process in three blocks: one block of ten (10) and two blocks of five (5) each. (Proposers can apply for multiple blocks, but will not be awarded more than one block. Thus, a Proposer applying for both one block of 10 permits and one block of 5 permits will be awarded either the block of 10 permits, or the block of 5 permits, or no permits).

Permits will not be issued to any Proposer where such issuance would result in any permit holder having an interest in more than 40 percent of the total active permits. Entities "having an interest" in a permit includes the permit holder and entities with a financial interest in the permit holder, such as stockholders of a corporation. With issuance of these 20 additional permits, there will be a total of 981 active permits issued. Forty percent of this number is 392.

Proposers must be a taxicab operator that provides centralized fleet ownership through an individual, partnership, corporation, or association offering access through a central dispatch system and demonstrating an operational management system for taxicabs. New operators as well as existing operators are eligible to apply for permits issued through this RFP.

Proposals must include information about the Proposer and a management business plan that meets the requirements set forth below. Proposals must also include a plan for ongoing monitoring and evaluation of the Proposer's level and quality of service and accountability, as described below.

Taxicab Permit RFP  
September 11, 2006  
Page 5

Consistent with MTS Policy No. 13, Section 13.1, Proposers shall not be eligible for award of a contract in which their participation would pose a mutual, potential, or apparent conflict of interest.

Proposals will be reviewed by an Evaluation Committee composed of MTS and City staff and other community and business representatives who are not affiliated with the San Diego taxicab industry. The Evaluation Committee may be assisted by consultants who are familiar with the regulatory aspects of the taxicab industry and San Diego and who will serve in an advisory role to the Evaluation Committee.

MTS is issuing this RFP and will hold a pre-proposal conference at the date and time specified above. The Evaluation Committee will review all proposals and rate each proposal using objective selection criteria. Based on this review, the Evaluation Committee will recommend award of the three blocks of permits to the three highest-ranking qualified taxicab operators. The Evaluation Committee will recommend to the Chief Executive Officer (CEO) which Proposer should be awarded a block of 10 permits and which Proposer should be awarded blocks of 5 permits. MTS reserves the right to issue fewer than three blocks of permits and to issue no permits at all.

Once final action is taken on the award, successful Proposers must submit permit applications to MTS as required under MTDB Ordinance No. 11 within 60 business days of notification of the award. If no application is made, or if Proposers do not qualify under MTDB Ordinance No. 11, the affected permits will revert to the pool to be issued in the next RFP process for taxicab operators.

Permits issued under this RFP will be transferable after five (5) years, under provisions of MTDB Ordinance No. 11.

Permits issued to taxicab operators through the RFP process will be reviewed periodically by MTS for compliance with the level and quality of service set forth in each taxicab operator's proposal. The methodology for this review must be included in the proposal. Permits of taxicab operators not meeting the terms set forth in their proposals will revert to MTS for re-issuance through the RFP process. Such operators may first be issued a warning and given a defined amount of time to correct deficiencies. No additional permits may be requested via RFP until the level and quality of service are brought into compliance.

The process for permit issuance is funded through application fees (see above).

#### Protest Procedure

##### *Protests Received Prior To Proposal Due Date*

Following the issuance of this RFP, and prior to the due date, a protest may be filed with MTS. Protests must be in writing and received by MTS within 10 calendar days after the RFP is first made available. MTS will notify all Proposers that a protest has been filed, and the due date may be postponed until the protest has been reviewed and acted upon by MTS.

##### *Protests Received After Proposal Due Date*

MTS will evaluate all proposals and determine the best-qualified Proposers. A Notice of Intent to Award will be mailed to all Proposers. Any protest to the notice must be in writing and received by MTS within 15 calendar days after the mailing of the Notice of Intent to Award.

*Protest Contents*

The protestor must demonstrate or establish a clear violation of a specific law or regulation, e.g., a violation of the prohibition against restrictive specifications. The protest must contain a statement of the grounds for protest and all supporting documentation. MTS may, but is not obligated to, request additional information concerning the grounds for protest.

*Reply to Protests*

The MTS Protest Committee will review all protests as soon as possible. All material submitted by the protestor will be considered. Such material will not be withheld from any interested party outside MTS, or any agency that may be involved with the procurement, except to the extent that the withholding of information is permitted or required by law or regulation. If the protestor considers that the protest contains proprietary material that should be withheld, a statement advising of this fact may be affixed to the front page of the protest document, and alleged proprietary information shall be so identified wherever it appears. MTS will respond with its determination in writing within ten (10) calendar days.

*Request for Protest Reconsideration*

Upon receipt of an adverse decision by the MTS Protest Committee, the protestor may file a request for protest reconsideration, which must be directed to the Board of Directors in writing and received within five (5) full working days from the postmark date of the reply from MTS. The decision of the Board of Directors will be in writing and will be final for purposes of judicial review pursuant to Section 1094.6 of the Code of Civil Procedure. No further protests will be heard by MTS.

III. MINIMUM REQUIREMENTS

Proposers must meet the following requirements to be considered for a block of permits. The management business plan submitted with the proposal must address each of the following requirements under the appropriate Evaluation Criteria as indicated in Section IV below.

1. Provide centralized fleet ownership through an individual, a partnership, a corporation, or an association.
2. Operate a central dispatch system.
3. Staff the communication department 24 hours a day.
4. Set standards for dispatch response times.
5. Accept credit cards for payment of taxicab fares.
6. Follow a detailed program for handling customer complaints.
7. Set minimum age driver qualification at 21 years of age.
8. Require minimum of 16 hours of driver classroom training for new drivers.
9. Meet MTS insurance requirements required in MTDB Ordinance No. 11.

- 10. Submit a letter from an accredited financial institution stating that Proposer has the resources to fund the business plan as proposed within 90 days of permit award.
- 11. Submit three references of clients to whom the Proposer provides or has provided taxicab services or comparable services.
- 12. Submit a plan for ongoing monitoring and evaluation of Proposer's level or quality of service and accountability.

IV. EVALUATION CRITERIA

Provided that each application is complete and contains required documentation, the Evaluation Committee will evaluate proposals on a 100-point scale according to the following criteria. In addition, bonus points may be awarded for Proposers who will provide wheelchair-accessible service and for Proposers who demonstrate that award of permits to them will increase competition and/or customer choice in San Diego.

All information that the Proposer wishes to have considered by the Evaluation Committee should be stated in Proposer's submission.

1. Experience ..... 20 points

Experience and Qualifications of Proposer. Describe the experience and qualifications of the Proposer in operating taxicabs and/or other demand-responsive operations such as shuttles, limousines, or paratransit services. Indicate the number of years of total taxicab and related experience, number of years of experience in San Diego, the maximum and average number of taxicabs operated during this period, and any prior names under which the Proposer did business. Include accomplishments of particular note that reflect the Proposer's ability to fulfill the proposed management plan and meet the proposed service standards.

Experience and Qualifications of Senior Officers and Managers. Describe the recent and relevant direct experience of senior officers and managers in managing all aspects of a demand-responsive operation similar in scope and complexity to the service proposed. Include the experience and qualifications of the senior officers and managers of the Proposer. Include resumes. Include accomplishments of particular note of senior officers and managers that affect the Proposer's ability to fulfill the proposed management plan and meet the proposed service standards.

2. Operations ..... 20 points

Reservations and Dispatch. Describe reservations and dispatch operations. Include general policies and procedures, training, method of receiving customer calls, making reservations (advanced and immediate), dispatching, and telephone techniques used to accommodate the trip while ensuring efficient operation of the system in serving passengers.

Communications Staffing. Describe staffing levels for the communication department (must be staffed 24 hours a day).

Communications Technology. Describe radio frequencies or any alternative communications means to be used for dispatch and authorization by licensee and access usage.

Dispatch System. Describe taxicab dispatch equipment such as computerized dispatch systems. Include details on system being used or to be used, including system manuals and sample data printouts. Include manual or other documentation of dispatch procedures including information obtained from customer (name, customer phone number, location, etc.) and procedure for handling situations that may arise such as extended response times, no-show taxicabs, etc. Include how the dispatch system will track all trips including no-shows and non-dispatched trips. Include how the Proposer will determine whether a no-show was a customer no-show or driver no-show.

Dispatch Response Time Standards. Describe proposed dispatch response time standards. Dispatch response time standards should include percentage of prearranged calls picked up within a certain number of minutes for calls for immediate service and (separately) for advance reservation calls. Standards should also specify the maximum percentage of trips not picked up. *Example:* At least 80 percent of calls for immediate service picked up within 15 minutes of the call; 90 percent of advance reservation calls picked up within 5 minutes of requested time; no more than 0.5 percent of callers not picked up. (These numbers are for example purposes only. Each Proposer is to propose dispatch response time standards that it will meet.)

Credit Card Acceptance. Describe capabilities to accept credit cards from customers. Include method of credit card payment, equipment to be used, and policy for verifying credit card numbers.

3. Drivers..... 15 points

Drivers. Provide criteria for hiring/retaining drivers, including driver qualifications (must be 21 years of age and qualify for a sheriff's driver's identification card), driver classroom training (16 hours minimum), and driver appearance. Include details on training program for new drivers and training to maintaining the skills of existing drivers. Describe how training addresses MTS regulations; geography, including map reading; major points of interest in San Diego; driver safety and defensive driving; vehicle safety and maintenance/inspection checks; customer service and relations; sensitivity guidelines for the disabled, frail, and elderly passengers; behind the wheel driver training; and (for drivers of accessible vehicles) wheelchair-accessible vehicle operation training.

4. Monitoring and Evaluation..... 15 points

Monitoring And Evaluation. Provide a plan for ongoing monitoring and evaluation of Proposer's level or quality of service and accountability. Proposals should include detailed monitoring and evaluation methods, including data the Proposer will provide for purpose of review, method of assuring the accuracy and integrity of the data and proposed frequency of review (e.g., annual, biannual, semiannual).

5. Facilities..... 10 points

Facilities. Describe existing and proposed administrative, maintenance, dispatch, and vehicle storage facilities suitable to accommodate a project of this scope and complexity. Include address of each facility, interior and exterior square footage, number of vehicle maintenance bays and lifts, vehicle maintenance equipment, and number of call-taker and dispatcher stations.

6. Vehicles..... 10 points

Vehicles and Maintenance. Describe vehicle requirements and maintenance plan. Include number of vehicles by make and model year, maintenance tasks and intervals, and maintenance tracking procedures.

Personnel. Describe maintenance personnel to be used, hours of operation, certification of personnel and staffing plans, and hiring and training of maintenance personnel.

Safety Compliance. Document the Proposer's compliance with safety inspection requirements. Include vehicle inspection results in the past year, number of accidents, number of injury accidents, and number of accidents involving a fatality. Provide Proposer's vehicle safety program and provide information on wheelchair loading and securing procedures if using wheelchair-accessible vehicles.

Insurance. Provide proof of performance surety/financial viability/insurance program.

Low-Emission Vehicles. Describe the use of low emission, very low emission and zero emission vehicles.

7. Management ..... 10 points

Organization Chart. Provide organization chart.

Start-Up Financing. Within 90 days of permit award, provide a letter from a financial institution stating that the Proposer has the resources to fund the business plan as proposed.

Implementation Plan. Provide comprehensive and detailed implementation plan showing all start-up tasks (e.g., hiring and training personnel, facilities preparation, and vehicle preparation). Plan should allow for flexibility and include contingency plans.

System Management Program. Provide comprehensive and detailed system management program showing staffing, equipment commitment, staff responsibilities, management plan, and quality control to ensure continued high-quality taxicab services.

Complaint Handling. Provide detailed program for handling complaints. Include method of logging complaints received, date and time of complaint, response, date and time of response, results of investigation, action taken, and any written communication. Include policy on responding to complaints in writing, and timing of response.

Reporting. Describe record keeping and reporting for response times, complaints, and other service data.

Response Time Attainment. Describe how the Proposer will meet and remain in compliance with proposed dispatch response time standards.

8. **Wheelchair-Accessible Service ..... Up to 10 Bonus Points**

Wheelchair-accessible taxicab service is not required; however, bonus points may be awarded for provision of such service. If wheelchair-accessible service is proposed, describe the type of vehicles to be used, including whether ramp- or lift-equipped, minivan or full van sizes; vehicle maintenance procedures; vehicle replacement cycle; accessible vehicle operations training for drivers; response time standards for customers needing accessible vehicles; and dispatch and management procedures to be followed to ensure achievement of the Proposer's response time standard.

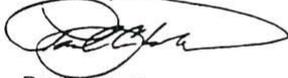
Also describe the number of accessible vehicles to be put into service initially. Specify the types of permits the Proposer will be using and the number of each (i.e., number of wheelchair-accessible taxicabs that will use existing permits, number using permits issued under this RFP, number from MTS demonstration program). This number of accessible vehicles may be adjusted up or down, but the Proposer must meet the response time standards specified in the proposal for customers needing accessible vehicles. (Note that such adjustments will not change the number of existing permits held by Proposer or the number of permits issued under this RFP.)

9. **Impact on Competition and Customer Choice ..... Up to 5 Bonus Points**

Bonus points may be awarded to Proposers who demonstrate that award of permits to them will increase competition and/or customer choice in San Diego.

Describe how award of permits to Proposer or Proposer's company, corporation, partnership, association, cooperative or other entity will affect competition within the taxicab industry in San Diego and customer choice of taxicab operators, taxicab fares and taxicab service quality available to taxicab customers in San Diego. Include a description of any particular customer groups that will particularly benefit from additional competition and customer choice if Proposer is awarded a block of permits.

Sincerely,



Paul C. Jablonski  
Chief Executive Officer

DSundh/Taxicab/RFP  
L-06.RFP.LTR.TO.PROP.JSCOTT  
9.7.06

# RFP FOR INDIVIDUAL DRIVERS

# MTS

## MTDB

**Metropolitan Transit System**  
1255 Imperial Avenue, Suite 1000  
San Diego, CA 92101-7490  
(619) 231-1466  
FAX (619) 234-3407



November 8, 2004

TAXI 500, 290.10  
AG 250.1 (PC 30110)

Dear Prospective Proposer:

Subject: REQUEST FOR PROPOSALS - APPLICATION FOR TAXICAB PERMITS TO BE ISSUED TO SAN DIEGO TAXICAB DRIVERS

## I. INTRODUCTION

### Request for Proposal - Applications Requested

The San Diego Metropolitan Transit Development Board (MTDB) is interested in receiving applications from qualified taxicab drivers interested in participating in the issuance of 25 additional taxicab permits. Taxicab permits will be issued individually to qualified drivers. Experienced taxicab drivers who have a good record and do not own a permit are eligible to submit applications. These permits are being issued to carry out provisions of Council Policy No. 500-02 that provides for a driver Request for Proposals (RFP).

Applications will be available for pickup in person only beginning on November 8, 2004, between 8:00 a.m. and 5:00 p.m. Monday through Friday (except holidays) at the Taxicab Administration office on 1501 National Avenue, Suite 100, San Diego, California 92113-1029.

This letter together with its attachment (Driver Application for Taxicab Permit) comprises the RFP. Note that the word "application" is used in the remainder of this document when referring to this RFP.

Applications should be submitted in accordance with the instructions stated below. Taxicab drivers who are awarded permits under this application must then complete the standard taxicab permit application process, per MTDB Ordinance No. 11.

### Application Due Date

One (1) original and one (1) photocopy of the application and all attachments must be received by MTDB no later than 4:00 p.m. on November 24, 2004. All applications must use the form attached to this announcement and follow the instructions below. All applications shall be delivered in person only to MTDB Taxicab Administration at 1501 National Avenue, Suite 100, San Diego, California 92113-1029. Applications must be submitted in a sealed envelope and marked: "Attention: John Scott - Application for Taxicab Permits." Applications arriving later than 4:00 p.m., or at a different location, will not be considered.

Metropolitan Transit System (MTS) is comprised of the Metropolitan Transit Development Board (MTDB) a public agency, San Diego Transit Corporation, and San Diego Trolley, Inc., in cooperation with Chula Vista Transit and National City Transit. MTS is also the Taxicab Administrator for eight cities, and MTDB is the owner of the San Diego and Arizona Eastern Railway Company.

MTDB Member Agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.

For personal trip planning or route information, call 1-800-COMMUTE or visit our website at [sdcommute.com](http://sdcommute.com)!

RFP – Application for Taxicab Permits  
November 8, 2004  
Page 2

Point of Contact

John Scott, Taxicab Administration Supervisor, is the sole point of contact for this solicitation (619.595.7034). Proposers are directed not to contact other MTDB staff or Board members in conjunction with this request. Noncompliance with this requirement may result in your proposal being considered nonresponsive.

II. ELIGIBILITY/REQUIREMENTS

All applicants will be eligible for the award of one Taxicab Permit through the RFP. All entrants may submit only one application. Any duplicate entries or false information will disqualify the entrant. All applicants should possess the following requirements:

1. Agree to drive the taxicab a minimum of 175 shifts. San Diego taxicab permit holders who have obtained his/her permit as the result of this RFP will be required to agree, as a condition of the permit issuance, that they will personally drive the cab a minimum of 175 shifts per year. As a permit holder, they must maintain sufficient records, subject to the CEO's approval and filed with his/her Annual Statement, to demonstrate that they have met this requirement.
2. Currently hold, in good standing, a San Diego County Sheriff Department's taxicab driver I.D. card valid in the MTDB area of jurisdiction of which San Diego must be included.
3. Have not received a written admonishment, penalty, or suspension from MTDB or the San Diego County Sheriff's Department since November 1, 2001 (past three years).
4. Have no more than three (3) moving violations since November 1, 2001 (past three years).
5. Have no DUI convictions or any other two-point DMV violation since November 1, 1997 (past seven years).
6. Not have an "interest" in a permit. This provision includes being a taxicab permit holder and having a financial interest in a San Diego taxicab permit, such as a corporate officer or stockholder.
7. Meets the requirements of MTDB Policy No. 14, Section 14.9.1; applicants shall not be eligible for award of a contract in which their participation would pose a mutual, potential, or apparent conflict of interest.

RFP – Application for Taxicab Permits  
November 8, 2004  
Page 3

### III. APPLICATION PROCEDURE

#### Application

The application shall be completed using the attached form. Applicants shall provide the following information:

1. Name, address, and telephone number of the applicant.
2. Sheriff's Department I.D. card number.
3. California DMV driver's license number.
4. Year first issued Sheriff's I.D. card.
5. Information about the proposer's driving history.
6. A five-year DMV driving record (obtain your driving record at a local DMV office).
7. Letters of recommendation (optional). Attach up to two letters of recommendation from individuals or businesses that the driver has provided exemplary service. Letters must be signed by the individual customer or a responsible employee of the business and must include the person's name, address, and telephone number.

#### Application Fee

There is no fee for submitting this application. Drivers who are awarded a taxicab permit will be required to pay the following fees:

- \$3,000 application processing fee
- \$700 regulatory fee

Do not pay these fees at this time. These fees will be due only from drivers who are awarded permits.

#### Application Information Session

An information session will be held as follows:

Monday, November 15, 2004  
9:00 a.m.  
10th Floor Board Room  
1255 Imperial Avenue, Suite 1000  
San Diego, CA 92101

RFP – Application for Taxicab Permits  
 November 8, 2004  
 Page 4

Drivers who are interested in submitting an application are encouraged to attend this information session since it is an opportunity to ask questions and receive instructions about completing the application.

Schedule

The anticipated schedule is shown below.

Release RFP application	Monday, November 8, 2004
Preapplication conference	Monday, November 15, 2004
Applications due at 4:00 p.m.	Wednesday, November 24, 2004
Evaluation of applications	Monday-Tuesday December 6 and 7, 2004
Notice of selected proposers issued	Thursday, December 9, 2004
Protest period	Thursday December 9 – Thursday, December 23, 2004
Board Award of Permits	Thursday, January 13, 2005

Dates are subject to change at the sole discretion of MTDB.

IV. AWARD OF PERMITS

Evaluation Committee

MTDB intends to award additional taxicab permits to 25 drivers who best meet the requirements as specified in this RFP. Evaluations and determinations of responsibility and qualifications shall be based upon the information furnished by the applicants in response to this RFP, as well as from other sources determined at the sole discretion of MTDB. MTDB reserves the right to reject all applications at its sole discretion and to award fewer than 25 permits.

All information submitted in an application is subject to verification. By submitting this application, a driver authorizes MTDB to perform all investigations necessary to determine suitability and verify information submitted in the application. False statements will disqualify applicants from being eligible for an award.

All information submitted in an application shall be deemed a public record except to the extent that the applicant expressly marks information as a trade secret or as proprietary information, in which event MTDB shall preserve the confidentiality of such information to the extent, permitted by law.

An Evaluation Committee composed of San Diego City staff, taxicab regulators from other areas, and business representatives who are not affiliated with the San Diego taxicab industry will review applications. Consultants and MTDB staff who are familiar with the regulatory

RFP – Application for Taxicab Permits  
 November 8, 2004  
 Page 5

aspects of the taxicab industry and San Diego will serve in an advisory role to the Evaluation Committee.

The Evaluation Committee will review all applications and rate each application using objective selection criteria. Based on this review, the Evaluation Committee will recommend to the CEO 25 qualified taxi drivers to receive the permits. The Evaluation Committee will also recommend up to 25 additional drivers to be placed on an alternate list and to receive permits in the event that any of the original 25 drivers do not qualify or are not issued permits for any reason.

#### Evaluation Criteria

Applications will be evaluated using a point system as follows:

- 1 point for each year licensed to provide taxicab service in the MTDB San Diego area of jurisdiction.
- Up to 3 points based on no DMV moving violations within the past three years.
- Up to 1 point (total) for letters of recommendation.

The number of points accumulated using this point system will rank qualified applicants. Ties will be resolved by use of a lottery. Permits will be awarded to applicants with the highest number of points.

#### Protest Procedure

Protests Received Prior To Proposal Due Date. Following the issuance of this RFP and prior to the due date, a protest based on the content of the RFP may be filed with MTDB. Protests must be in writing and received by MTDB not less than ten (10) full calendar days before the proposal due date. MTDB will notify all proposers that a protest has been filed, and the due date will be postponed until the protest has been reviewed and acted upon by MTDB.

Protests Received After Proposal Due Date. MTDB will evaluate all proposals and determine the best-qualified proposers. A notice of selected proposers will be mailed to all proposers. Any protest to the notice must be in writing and received by MTDB within fifteen (15) calendar days from the postmark date of the notice.

Protest Contents. The protestor must demonstrate or establish a clear violation of a specific law or regulation; e.g., a violation of the prohibition against restrictive specifications. The protest must contain a statement of the grounds for protest and all supporting documentation. MTDB may, but is not obligated to, request additional information concerning the grounds for protest.

Reply to Protests. The MTDB Protest Committee will review all protests as soon as possible. All material submitted by the protestor will be considered. Such material will not be withheld

RFP – Application for Taxicab Permits  
November 8, 2004  
Page 6

from any interested party outside of MTDB or any agency that may be involved with the procurement, except to the extent that the withholding of information is permitted or required by law or regulation. If the protestor considers that the protest contains proprietary material that should be withheld, a statement advising of this fact may be affixed to the front page of the protest document, and alleged proprietary information shall be so identified wherever it appears. MTDB will respond with its determination in writing within ten (10) calendar days.

Request for Protest Reconsideration. Upon receipt of an adverse decision by MTDB, the protestor may file a request for protest reconsideration, which must be directed to the CEO in writing and received within five (5) full calendar days from the postmark date of the reply from MTDB. The decision of the CEO will be in writing and will be final. No further protests will be heard by MTDB.

Issuance and Term of Permits. Once final action is taken on the award, successful applicants must submit their permit application to MTDB as required under MTDB Ordinance No. 11. Successful applicants must submit such application within 60 business days of notification of the award. If no application is made, or if applicants do not qualify and complete all requirements under MTDB Ordinance No. 11, the affected permits will be issued to drivers on an alternate list.

Taxicab permits issued as a result of this process shall be renewable annually provided that the permittee meets all requirements of Ordinance No. 11.

Taxicab permits issued as a result of this process shall not be transferable until five (5) years after their initial issuance in this process.

Sincerely,



Paul C. Jablonski  
Chief Executive Officer

CCasti  
RFP\_DRIVER.JSCOTT  
11/3/04

Attachment: Driver Application for Taxicab Permit

**DRIVER APPLICATION FOR TAXICAB PERMIT**

Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_

Phone: \_\_\_\_\_

Sheriff ID No.: \_\_\_\_\_

DMV Driver License No.: \_\_\_\_\_

Year first issued Sheriff ID card: \_\_\_\_\_

Answer each of the following Yes or No:

1. Have you received a written admonishment, penalty, or suspension from MTDB or the San Diego County Sheriff's Department since November 1, 2001? \_\_Yes \_\_No
  
2. Do you have more than three (3) moving violations for violations occurring on or after November 1, 2001? \_\_Yes \_\_No
  
3. Do you have any DUI convictions or any other two-point DMV violation for violations occurring on or after November 1, 1997? \_\_Yes \_\_No
  
4. Do you hold a taxicab permit in San Diego? \_\_Yes \_\_No  
*Note: You must truthfully answer "no" to each of the above questions to be eligible for a new permit.*
  
5. Do you have any moving violations, MTDB Taxicab Administration or Sheriff's Department administrative actions pending against you? \_\_Yes \_\_No

*Note: You must answer this question truthfully, but answering "yes" will not necessarily disqualify you from being eligible to receive a permit, depending on the outcome of pending case(s).*

**I hereby certify that the information provided in this application is true and correct. I understand that failure to fully complete the application and to provide truthful information will disqualify me from eligibility to receive a taxicab permit in this process. By signing this**

**DRIVER APPLICATION FOR TAXICAB PERMIT – PAGE 2 OF 2**

application, I authorize the release of information by the San Diego County Sheriff's Department, City of San Diego, DMV, MTDB, and any other entity to determine suitability and verify information submitted in the application.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Attach to this form:**

1. Five-year DMV record (mandatory). You must obtain your DMV record from a DMV office.
2. Up to two letters of recommendation (optional). Attach up to two (2) letters of recommendation from individuals or businesses that you have provided exemplary service. Letters must be signed by the individual passenger or by a responsible employee of the business and must include the person's name, address, and telephone number.

Return this original application and attachments **IN PERSON ONLY** and one (1) photocopy of both the application and attachments in a sealed envelope marked "Attention: John Scott - Application for Taxicab Permit" to:

MTDB Taxicab Administration  
1501 National Avenue, Suite 100  
San Diego, CA 92113-1029  
Attention: John Scott

Deadline: 4:00 p.m. on Wednesday, November 24, 2004.



**Be  
rewarded  
for  
driving  
a  
taxicab...**




**Metropolitan Transit System (MTS)  
is issuing 25 San Diego Taxicab permits  
to drivers who meet the requirements.**

**Release of RFP Applications**  
Monday, November 8, 2004  
8:00 a.m. to 5:00 p.m.

**Preapplication Conference**  
Monday, November 15 at 9:00 a.m.  
1255 Imperial Avenue, Suite 1000, San Diego, CA 92101  
in the Board Room

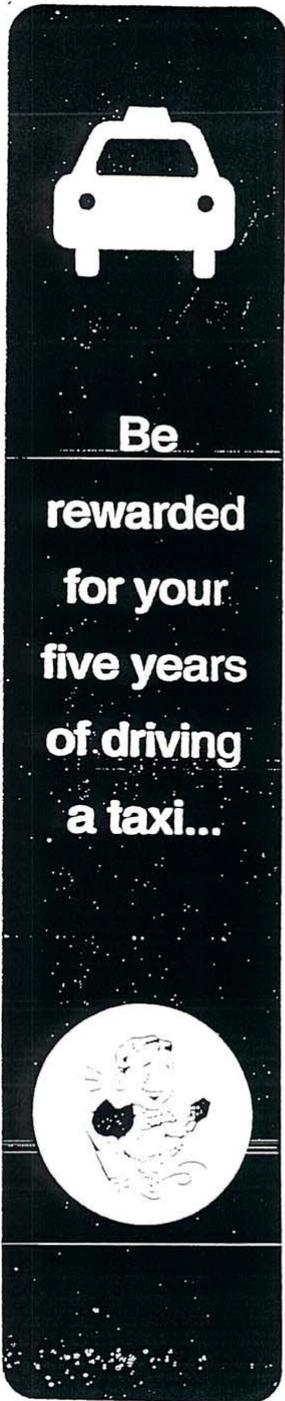
**Taxicab Driver RFP Applications are available  
between 8:00 a.m. & 5:00 p.m. Monday - Friday (except holidays)**  
at the Metropolitan Transit System's (MTS's)  
Taxicab Administration Office, 1501 National Avenue, Suite 100  
San Diego, California 92113-1029  
John Scott @ 619-595-7034

**Proposal submission in person ONLY no later than**  
Wednesday, November 24 at 4:00 p.m.

**One Request for Proposal (RFP) per eligible participant**

All drivers must meet the following requirements  
to be eligible to enter the RFP process:

- 1) Be in possession of a current County of San Diego Sheriff's taxicab driver I.D. card valid in the MTDB area of jurisdiction.
- 2) May not hold a current MTDB taxicab permit for operation of a taxicab within the City of San Diego.
- 3) Be in good standing and have a good record.
- 4) Entrants will only be awarded a single permit through the RFP. Any false information will disqualify the entrant. Awardees shall be required to drive the taxicab a minimum of 175 shifts per year and may lease the taxicab for the remaining shifts.
- 5) Taxicab permits issued in this RFP shall not be transferred for a period of five years after issuance.



**Metropolitan Transit Development Board**  
**is having a lottery for 15 permits.**

**First taxicab lottery drawing in 18 years!**

**ENTRY LOCATION:**

The Metropolitan Transit Development Board's (MTDB)  
 Taxicab Administration Office, 1501 National Avenue, Suite 100  
 (619) 595-3081

**ENTRY DATES/TIMES:**

- Monday, June 24  
8:00 a.m. to 5:00 p.m.
- Tuesday, June 25  
8:00 a.m. to 5:00 p.m.
- Wednesday, June 26  
8:00 a.m. to 5:00 p.m.

**DRAWING:**

Friday, June 28  
8:00 a.m.

One lottery ticket entry per eligible participant. No fees to enter. Winners need not to be present to win. Participant name, California driver's license number, and current San Diego County Sheriff Taxicab Identification Card Number will identify each lottery ticket.

All drivers must meet the following requirements to be eligible to enter the lottery:

- 1) Be in possession of a current County of San Diego Sheriff's Taxicab Driver I.D. valid in the MTDB area of jurisdiction.
- 2) Not hold a current MTDB taxicab permit for operation of a taxicab within the City of San Diego.
- 3) Have a total of five years or more taxicab driving experience in good standing within the MTDB area of jurisdiction.
- 4) Entrants will only be able to win a single permit award through the lottery. Also, entrants may only submit one entry in the lottery drawing. Any duplicate entries will disqualify the entrant. Permit holders shall be required to drive the cab a minimum of 175 shifts per year, and may lease the cab for the remaining shifts.
- 5) No permits will be issued or transferred to any person, company, business, corporation, or other entity if such an issuance or transfer would result in any permit holder having an interest in more than 40 percent of the existing permits. New permits shall not be transferred for a period of five years after issuance.

**MTDB**  
 Metropolitan Transit Development Board



1255 Imperial Avenue, Suite 1000  
San Diego, CA 92101-7490  
(619) 231-1466  
FAX (619) 234-3407

MEMORANDUM

DATE: June 18, 2002 TAXI 500, 502 (PC 30110)  
 TO: Eligible Participants in the Driver Lottery for New San Diego Taxicab Permits  
 FROM: Thomas F. Larwin *Thomas F. Larwin*  
 SUBJECT: PROCEDURE FOR THE ISSUANCE OF NEW SAN DIEGO TAXICAB PERMITS THROUGH A LOTTERY DRAWING FOR DRIVERS

GENERAL

1. The San Diego taxicab driver lottery tickets will be issued to eligible participants on June 24, 25, and 26, 2002, from 8:00 a.m. to 5:00 p.m. at the MTDB Multimodal Operations Taxicab Administration business office located at 1501 National Avenue, Suite 100, San Diego, CA 92113. The actual lottery drawing will be held at 8:00 a.m. on June 28, 2002, on the plaza of the James R. Mills building located at 1255 Imperial Avenue, San Diego, CA. There will be a total of 20 tickets drawn. The first 15 tickets drawn will be the winners of the lottery. The remaining five tickets will be considered as alternates.
2. The five alternate tickets drawn will only be eligible if for any reason a winner or winners in the first group of 15 tickets drawn are found to be ineligible. The five alternate ticket holders will become eligible in the order in which they are drawn.
3. If for any reason any parts of the 15 lottery permits are not issued, the nonissued permits will be issued as part of the next driver lottery process. If you have any questions, call Susan Champlin at 619.595.3081 between the hours of 8:00 a.m. and 12:00 noon. Monday through Friday. You will be referred to an MTDB Taxicab Regulatory Specialist.
4. There are currently 870 San Diego taxicab permits. At the conclusion of all aspects of the permit issuance process and after all 135 new permits are issued, the total outstanding permits will be 1,005.

ELIGIBILITY

1. Entrants must be in possession of a current County of San Diego Sheriff's Taxicab Driver Identification Card valid in the MTDB area of jurisdiction.

Member Agencies:  
City of Chula Vista, City of Coronado, City of Escondido, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, County of San Diego, State of California

Metropolitan Transit Development Board is Coordinator of the Metropolitan Transit System and the Taxicab Administration  
 Subsidiary Corporations: San Diego Transit Corporation, San Diego Trolley, Inc., and San Diego & Arizona Eastern Railway Company

For personal trip planning or route information, call 1-800-COMMUTE or visit our web site at [sdcommute.com](http://sdcommute.com)

2. Entrants must not hold a current MTDB taxicab permit for operation of a taxicab within the City of San Diego.
3. Entrants must have a total of five years or more taxicab driving experience in good standing within the MTDB area of jurisdiction or the City of San Diego.
4. Entrants will only be able to win a single permit awarded through the lottery. Also, entrants may only have one entry in the lottery drawing. Any duplicate entries will disqualify the entrant. Permit holders shall be required to drive the taxicab a minimum of 175 shifts per year and may lease the taxicab for the remaining shifts.
5. No permits will be issued or transferred to any person, company, business, corporation, or other entity if such issuance or transfer would result in any permit holder having an interest in more than 40 percent of the existing permits. New permits shall not be transferred for a period of five years after issuance.

LOTTERY TICKETS

1. One lottery ticket will be issued for each eligible participant.
2. Participant's name, California driver's license number, and current San Diego County Sheriff Taxicab Identification Card number will identify each lottery ticket.
3. Each recipient of a lottery ticket will be required to sign a control log acknowledging his/her receipt of one ticket in the lottery and attesting to his/her eligibility to participate. Auditors will review the control log to ensure no duplicate participant entries exist and confirm the Identification Card is for the individual.
4. Each recipient of a lottery ticket will be required to deposit the ticket filled in with their name, California driver's license number, and San Diego County Sheriff Taxicab Driver Identification Card number into a sealed drawing box at the time and place the ticket is issued and retain the ticket stub as proof of their entry.
5. Each lottery ticket and ticket stub will be assigned a number sequentially beginning with the first ticket issued.
6. There will be no charge for the lottery ticket.

LOTTERY DRAWING

1. An independent auditor has been hired to monitor and validate the lottery ticket drawing.
2. The auditor will maintain access control of the drawing box. The drawing box will be locked from the time the first ticket is dropped in the box access slot until the time the first ticket is to be drawn.

3. Each of the 15 numbered lottery tickets will be drawn at random from the drawing box under the supervision of the auditor. Tickets will be drawn and verified in succession and without interruption. Leon Williams, MTD Board Chairman, will be drawing the winning tickets. After each ticket is drawn, the name listed on the drawn ticket will be read aloud. After 15 tickets are drawn, a supplemental drawing of five additional tickets will take place. Individuals holding the tickets drawn in the supplemental lottery will be alternates to those winners in the original drawing should those ticket holders not meet the eligibility requirements during the lottery winner validation process. If applicable, the individual holding the first alternate ticket will undergo and pass the permit application process, and if necessary, the second through fifth alternates will repeat the process until all five alternate chances for permits have been awarded. Taxicab lottery procedures will uniformly apply to all winners, including those selected during the alternate drawing.
4. Any remaining alternate winning tickets will become automatically void once the first 15 original winners have been deemed eligible.
5. Each of the 15 numbered lottery tickets drawn will be matched with a corresponding entry recorded on the ticket control log. The control log entries will indicate the participant's name, signature, California drivers license number, and the current San Diego County Sheriff Taxicab Driver Identification Card number to accurately match the log entry to the ticket.
6. The match between the ticket drawn and control log entry will be validated by the auditor.
7. After 20 tickets have been drawn, the auditor will compare a count of the remaining tickets in the drawing box to the total count of tickets issued, less 20. Any discrepancy will invalidate the drawing.
8. Upon successful completion of the ticket match and remaining count, the auditor will certify the drawing as being correct and complete.
9. The winning names and San Diego County Sheriff Taxicab Driver Identification Card numbers will be announced at the drawing and subsequently posted at the MTDB Multimodal Operations Taxicab Administration offices and at the MTDB main office reception area.
10. Participants need not be present at the drawing to win.
11. Security personnel will be present during both the lottery ticket issue process and the drawing.

LOTTERY WINNER VALIDATION PROCESS

1. The holder of a winning ticket in the drawing must present the winning ticket stub within five working days from the date of the final drawing (i.e., by 5:00 p.m. on Monday, July 8, 2002). Present the winning lottery ticket at the MTDB Taxicab Administration business offices located at 1501 National Avenue, San Diego, CA, telephone number 619.595.3081.
2. Upon successful validation, a lottery winner will be required to obtain and present evidence from the San Diego County Sheriff's Licensing Department as proof that they have held, in good standing, a San Diego County Sheriff's Taxicab Driver Identification Card for a minimum of five

years authorizing them to drive a taxicab in commercial service within the area of MTDB jurisdiction.

3. No permits will be issued or transferred to any person, company, business, corporation, or other entity if such issuance or transfer would result in any permit holder having an interest in more than 40 percent of the existing permits. New permits shall not be transferred for a period of five years after issuance.

LOTTERY WINNER PERMIT APPLICATION PROCESS

1. A lottery winner successfully completing the validation process will be given a standard MTDB taxicab permit application package and required to successfully complete the application process and pay the processing fees within 30 calendar days.
2. A lottery winner who fails to successfully complete any of the steps required in this process will not be awarded a permit.
3. In the event all scheduled lotteries have been conducted, a one-time special drawing will be held to distribute any remaining permits.
4. Lottery winners who successfully complete the application process and are awarded a permit will be subject to all the provisions of MTDB Ordinance No. 11 as they apply to the maintenance and use of the permit.
5. San Diego taxicab permit holders who have obtained their permit as the result of winning a driver lottery will be required to agree, as a condition of the permit issuance, that they will personally drive the taxicab a minimum of 175 shifts per year. As permit holder, they must maintain sufficient records, subject to the General Manager's approval and filed with their Annual Statement, to demonstrate that they have met this requirement.
6. San Diego taxicab permits obtained through the driver lottery will be eligible for transfer after the passage of five years from the date of their issuance.

SChamp/JSCOTT  
M-DRVRLOTTO.KPMG.JSCOTT  
6/18/02



500  
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second  
Prize  
lottery

**The Metropolitan Transit System (MTS)  
is issuing 15 Taxicab permits.**

**Entry Location**

Metropolitan Transit System (MTS), Taxicab Administration Office  
1501 National Avenue Avenue, Suite 100, San Diego, CA 92101  
(619) 595-3086

**Entry Dates/Times**

Tuesday, November 27, 2007  
9:00 a.m. to 4:00 p.m.  
Wednesday November 28, 2007  
9:00 a.m. to 4:00 p.m.  
Thursday November 29, 2007  
9:00 a.m. to 4:00 p.m.

**Drawing**

Thursday, December 13, 2007  
11:00 a.m.

One lottery ticket per eligible participant. No fees to enter.  
Winners need not be present to win.  
Participants name, California's driver's license number, and current  
San Diego County Sheriff Taxicab Identification Card Number  
will identify each lottery ticket.

All drivers must meet the following requirements to be eligible to enter the lottery:

- 1) Be in possession of a current County of San Diego Sheriff's Taxicab Driver I.D. valid in the MTS areas of jurisdiction.
- 2) Not hold a current MTS taxicab permit for operation of a taxicab within the City of San Diego.
- 3) Have a total of five years or more taxicab driving experience in good standing within the MTS areas of jurisdiction.
- 4) Entrants will only be able to win a single permit through the lottery. Also, entrant may only submit one entry in the lottery drawing. Any duplicate entries will disqualify the entrant. Permit holders shall be required to drive the taxicab a minimum of 175 shifts per year and may lease the taxicab for the remaining shifts.
- 5) No permits will be issued or transferred to any person, company, or business, corporation, or other entity if such an issuance or transfer would result in any permit holder having an interest in more than 40 percent of the existing permits. New permits shall not be transferred for a period of five years after issuance.



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 San Diego, CA 92101-7490  
 619.231.1466, FAX: 619.234.3407

## Memorandum

TAXI 500, 502  
 (PC 50761)

DATE: November 7, 2007

TO: Participants in the Driver Lottery for San Diego Taxicab Permits

FROM: Susan J. Hafner, Director of Contract Services *DJH*

SUBJECT: PROCEDURE FOR THE ISSUANCE OF NEW SAN DIEGO TAXICAB PERMITS THROUGH A LOTTERY DRAWING FOR DRIVERS

### GENERAL

1. The San Diego taxicab driver lottery tickets will be issued to eligible participants on November 27, 28, and 29, 2007, from 9:00 a.m. to 4:00 p.m. at the Metropolitan Transit System (MTS) Taxicab Administration business office located at 1501 National Avenue, Suite 100, San Diego, CA 92113. The actual lottery drawing will be held after the MTS Board meeting on December 13, 2007, at approximately 11:00 a.m. on the plaza of the James R. Mills Building located at 1255 Imperial Avenue, San Diego, CA. There will be a total of 20 tickets drawn. The first 15 tickets drawn will be the winners of the lottery. The remaining five tickets will be considered as alternates.
2. The five alternate tickets drawn will only be eligible, if, for any reason, a winner, or winners, in the first group of 15 tickets drawn are found to be ineligible. The five alternate ticket holders will become eligible in the order in which they are drawn.
3. If, for any reason, any part of the 15 lottery permits is not issued, the non-issued permits may be issued at a later date. If you have any questions, call John A. Scott, Taxicab Administration Manager, at 619.595.7034 between the hours of 8:00 a.m. and 5:00 p.m. Monday through Friday.
4. There are currently 978 San Diego taxicab permits. At the conclusion of this issuance, the total outstanding permits will be 993.



Metropolitan Transit System (MTS) is a California public agency and is comprised of San Diego Transit Corporation and San Diego Trolley, Inc. nonprofit public benefit corporations, in cooperation with Chula Vista Transit and National City Transit. MTS is the taxicab administrator for eight cities and the owner of the San Diego and Arizona Eastern Railway Company. MTS member agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lamon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.

LOTTERY DRAWING

1. An MTS internal auditor will monitor and validate the lottery ticket drawing.
2. The auditor will maintain access control of the drawing box. The drawing box will be locked from the time the first ticket is dropped in the box access slot, until the time the first ticket is to be drawn.
3. Each of the 15 numbered lottery tickets will be drawn at random from the drawing box under the supervision of the auditor. Harry Mathis, MTS Board Chairman, will be drawing the winning tickets. Tickets will be drawn and verified in succession and without interruption. After each ticket is drawn, the name listed on the drawn ticket will be read aloud. After 15 tickets are drawn, a supplemental drawing of five (5) additional tickets will take place. Individuals holding the tickets drawn in the supplemental lottery will be alternates to those winners in the original drawing, should those ticket holders not meet the eligibility requirements during the lottery winner validation process. If applicable, the individual holding the first alternate ticket will undergo and pass the permit application process. If necessary, the second through fifth alternates will repeat the process until all five alternate chances for permits have been awarded. Taxicab lottery procedures will uniformly apply to all winners, including those selected during the alternate drawing.
4. All alternate winning tickets will become automatically void once the first 15 original winners have been deemed eligible.
5. Each of the 15 numbered lottery tickets drawn will be matched with a corresponding entry recorded on the ticket control log. The control log entries will indicate the participant's name, signature, California driver license number, and the current San Diego County Sheriff's Taxicab Driver Identification Card number to accurately match the log entry to the ticket.
6. The match between the ticket drawn and control log entry will be validated by the auditor.
7. After 20 tickets have been drawn, the auditor will compare a count of the remaining tickets in the drawing box to the total count of tickets issued, less 20. Any discrepancy will invalidate the drawing.
8. Upon successful completion of the ticket match and remaining count, the auditor will certify the drawing as being correct and complete.
9. The winning names and San Diego County Sheriff's Taxicab Driver Identification Card numbers will be announced at the drawing, and subsequently posted at the MTS Taxicab Administration office and at the MTS main office reception area.
10. Participants need not be present at the drawing to win.
11. Security personnel will be present during both the lottery ticket issuance process and the drawing.